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NATIONAL POLICY AND ISSUES

ARMY PAPER CALLS FOR ECONOMIC READJUSTMENT

Important Decision

Shanghai WEN HUI BAO in Chinese 24 Jan 81 p 3

[Reprint of article from Beijing JIEFANGJUN BAO 23 Jan 81: "Sound and Sober Readjustment; Correct and Important Decision--First of a Series of Lecture Materials on Further National Economic Readjustment"]

[Text] Editorial Note: The Party Central Committee has recently decided on an important policy of further economic readjustment and political stabilization. This is a very important policy decision in continuing to implement the spirit of the Third Plenum of the 11th Party Central Committee. The resolute implementation of the policy of the Party Central Committee is of great and profound significance in overcoming the existing economic difficulties; in thoroughly changing the serious imbalance which has long existed in our national economy and which has still not been straightened out; in further eliminating the influence of "leftist" ideas in our economic work; in leading the entire economy onto the road of sound and stable development according to the actual conditions in our country; and in further developing the excellent situation on various fronts in our country. It is now very important that we should pay great attention to education on the current situation and help the broad masses of cadres and workers study and deepen their understanding of this great policy in order that they will reach a unity of thinking and unity of action. To meet the requirement of various units and departments in education on the current situation, we have reprinted the "Lecture Materials on Further National Economic Readjustment" from JIEFANGJUN BAO for our readers' reference in propaganda work.

It has been almost 2 years since the beginning of the national economic readjustment. Why is it necessary to carry out further readjustment? What is the meaning of further readjustment?

Let us discuss this question below.

1. Further Readjustment Is a Correct Policy Decision Based on Our Present Economic Situation

As we all know, since the convention of the Third Plenum of the Party Central Committee, the Party Central Committee has set the task of economic readjustment and decided on the eight-character policy of readjustment, restructuring, consolidation and improvement as a more effective means of overcoming the serious economic difficulties resulting from the 10 years of catastrophe during the "Great Cultural Revolution" and correcting the mistakes in our economic work during the 2 years following the smashing of the "gang of four." Guided by the eight-character policy and relying on the common efforts of the party and the people in the past 2 years, we have achieved great success in the readjustment of our national economy. The present economic situation in our country is generally fine as shown in the following aspects:

The situation in the vast countryside is stable, and agricultural production is fairly rapidly developing after a short period of recovery. After the Third Plenum, implementation of the several Central Committee documents on agriculture and the series of rural economic policies of the party, particularly the widely popularized production responsibility system in various forms, has greatly aroused the initiative and enthusiasm in production among the rural cadres and commune members, and promoted the recovery and development of agricultural production. In 1979, the national grain output was more than 660 billion jin, and the increased outputs of 1978 and 1979 combined amounted to more than 90 billion jin. This rate of increase has been unprecedented since the founding of the People's Republic. Although somewhat reduced in 1980 because of serious natural disasters of drought and flood, the total grain output was still higher than in 1978. So 1980 was the year of the second highest yield after the founding of the People's Republic. Because of the readjustment in the internal structure of agriculture, there has been fairly rapid development in the production of cotton, edible oil, sugar, silkworm cocoons, tea and other cash crops. The output of edible oil in 1979 exceeded that of 1978 by more than 24 million dan and the output of 1980 showed a further increase of more than 10 million dan. The outputs of sugar silkworm cocoon in 1980 also exceeded those of 1979 by more than 10 percent, and the total output of tea showed an increase of 260,000 dan. Because of the increased agricultural output and, at the same time the large-scale increase of procurement prices for agricultural and sideline products, the economic income of the broad masses of peasants have been markedly raised. According to statistics, the peasants' income in 1980 from the sale of products and other forms of labor and services was increased by more than 13 billion yuan which worked out to an increase of approximately 15 yuan for each person, based on a total rural population of 800,000. Living conditions of peasants in the vast majority of localities have been improved. In the past, many commune members with families had to worry about firewood, rice, oil and salt; now they have grain in their storerooms, oil in the bottles and extra money in their pockets. Many of them are thinking of buying bicycles, wrist watches, sewing machines and radio sets. TV sets too have begun to appear in many peasant households. The rural cadres and commune members in some localities have said: Since the time of cooperatives, the past 2 years have been the best years in implementing policies, in reassuring the people and in increasing their income. If this situation remains unchanged, the days ahead should be increasingly brighter.

While gratifying changes are taking place in the countryside, our industrial production is also steadily developing in the process of readjustment. In the past 2 years, a certain speed of growth was maintained in our industrial production, although energy consumption was not basically increased. The total industrial output in 1979 showed an increase of 8.5 percent over that of 1978 and that of 1980 again showed an increase of 8.4 percent over that of 1979. The imbalance between light and heavy

industries has now been adjusted to a certain extent. Because of the state policy in giving priority to the development of light and textile industries, the growth of these two industries has surpassed that of heavy industry by a wide margin. The proportion of light industrial output value in the entire industrial output value was raised from 43.1 percent in 1979 to 46.7 in 1980, while the proportion of heavy industrial output value was correspondingly lowered. Among the quotas for the 100 main industrial products in the country, 83 of them were fulfilled or over-fulfilled. The national production plan for nine major textile products including cotton cloth, muslin, chemical fibers, wool fabric, woolen yarns and silk were also overfulfilled, and the annual profits increased by around 27 percent over those of the previous year. This is the sector with the largest increase of output among the industrial enterprises. One of the gratifying spectacles in industrial production is the adoption of measures by industrial departments in various localities for expanding the production of goods in short supply so as to satisfy people's needs in their daily life. For example, the production of the much wanted durable consumer goods, such as TV sets, radio sets, tape recorders, cameras, bicycles, sewing machines, wrist watches and so forth, in 1980 was increased by a range of 29 to 280 percent.

In the past 2 years, we did a great deal of work in restructuring our economic system which has played a great role in enlivening the economy and improving the economic results. In industry, a good start has been made in promoting integrations and organizing production according to demand. The economy was also enlivened by bringing into play the regulative role of the market under the guidance of the regulative role of planning. Remarkable success has been achieved in the socialist emulation. Experiments in the expansion of decision-making power for enterprises have also been actively and steadily unfolded on the basis of investigation and study. There are now more than 6,000 enterprises undergoing this experiment, and their output value amounted to about 45 percent of the total output value of all enterprises owned by the whole people. This measure has given a great impetus to the progress of business management, the development of production, the improvement of economic results, and the increase of profits for the enterprises. The experimental enterprises' output, output value and profits handed over to the state mostly exceeded what they were before the experiment, and are higher than those of other enterprises not undergoing the experiment.

Along with the development of industrial and agricultural production and the implementation of various economic policies, the situation of market supply has undergone a profound change. There is now a fairly amply supply of commodities closely related to people's livelihood. The designs and varieties have markedly increased and the quality of many commodities have also been raised. The desolate condition of the market during the 10 years' turmoil as characterized by the dearth of commodities has initially changed. Many traditional commodities and agricultural products, sideline products and special native products which have for many years vanished from the market are now reappearing, while pork, for a long time in short supply, has been abundant in many places since 1980. In 1979, the commercial departments procured commodities totaling 199.2 billion yuan in value, a 14.5 percent increase over the previous year; the total volume of retail sales of social commodities amounted to 175.3 billion yuan, a 14.7 percent increase over the previous year. The increase in 1980 was even more than that of 1979. Although there are still many commodities in short supply, the conditions of market supply is now generally better than they were at any time during the past 20 years.

Living conditions for the vast majority of urban and rural population have been improved to a certain extent. In the past 2 years, the state provided jobs for more than 10 million people and raised the wage scales for more than 40 percent of workers and staff members in the cities, besides readjusting the wage classifications in some localities. The system of bonus was widely practiced among the industrial and mining enterprises. In 1979, the total payroll for workers of units owned by the whole people (including bonuses) was 6 billion yuan over that of the previous year and the average annual wage of workers was 705 yuan, an increase of 61 yuan over that of the previous year. In 1980, the payroll for workers and staff members of collectively owned units as well as units owned by the whole people was more than that of 1979 by over 11 billion yuan. The party and government also adopted a series of measures for improving the housing conditions of workers and staff members. In 1979, the floor space of workers' residential houses was increased by 62.56 million square meters, being 66 percent more than the increase in 1978. In 1980, it was further increased by 78 million square meters, being 24.8 percent more than the increase in 1979. Thus 1980 was the year with the largest increase of floor space for the workers' residence. There is still quite a strain on housing facilities in the cities, but the party and the government are paying great attention to and showing great concern for this matter. The improvement of living conditions for the rural population has been briefly dealt with above.

Among the above-mentioned aspects, we should particularly point out the excellent situation in the countryside. We have a population of 1 billion including 800 million peasants. The countryside therefore forms the major portion of our country, and conditions in the countryside has an important bearing on our general political and economic situation. If we will review our economic construction in the past 31 years, we can clearly see that whenever there were setbacks in agricultural production, there would be an imbalance in the entire national economy; and that recoveries and developments in agricultural production would promote the stability of the entire national economy and the rise of people's standard of living. The fine economic situation and the great achievements of the national economical readjustment we are now speaking of are primarily attributed to the continued improvement in the countryside and the implementation of the various rural economic policies of the party which are continuing to show their good effects. With ease of mind and improved living conditions, the 800 million peasants are looking forward to the future with hope and confidence.

This shows the entire correctness of the Party Central Committee's eight-character policy for the national economic readjustment, and this policy is now beginning to play its important role in economic work. However, we must also note the very complex and arduous nature of the task of national economic readjustment, and be aware that the first stage of this work has just begun. For various reasons--including the fact that many comrades from the central down to the grassroot levels have not been freed from the influence of leftist ideas and that without a full understanding of the policy of economic readjustment, they have not implemented it energetically--there are still many problems and difficulties confronting us, and the serious problems of latent dangers should be carefully dealt with and solved.

First, the serious problem of our over-extended capital construction front and the serious imbalances which have remained basically unchanged for a long time. Although the number of large and medium-size projects under construction has been reduced since the readjustment, the scale of capital construction as a whole has still not

been sufficiently reduced. The reason is that some comrades fail to take full account of the difficulties resulting from the 10 years' disruption and the blunders committed in economic work during the 2 years following the smashing of the "gang of four," and do not fully realize the necessity and importance of the readjustment. Hence their hesitation and indecision. As a result, the capital construction projects which should be reduced have not been reduced, while those projects which should not be started have been started through devious means. This has been the cause of many duplicated and aimless construction jobs. There have also been instances of small factories competing with large plants, new plants competing with old plants and the backward competing with the advanced units.

Second, the huge financial deficits. While trying to raise the people's standard of living, we have been unable to reduce the scale of capital construction, and the administrative and management expenses have gone beyond the financial capacity. Thus the total of accumulation and consumption surpassed national income, and state-planned capital construction and other expenses exceeded the state revenue. In 1979, the state's financial deficits amounted to 17 billion yuan, and the deficit in 1980 was still very large.

Third, the soaring prices. For some time, aside from some commodity prices under strict government control, the prices of many commodities have been increased by a wide margin. This produced serious effects on people's livelihood. The main cause of rising prices is the large financial deficit and the excessive issuance of currency, with problems in enterprise and commercial management as the contributory causes. For example, there are unhealthy tendencies in the business methods of some industrial and commercial enterprise leaders who are paying bonuses indiscriminately or turning their losses into profits through price inflation, or disguised price inflation in violation of the state's price policy. There are also unscrupulous elements engaged in speculation and profiteering, and trying to drive up prices with various tactics. All this affects the stability of market prices and leads to dissatisfaction among the broad masses. The state has now adopted measures to stabilize the prices with initial success. However, the problems cannot be basically solved without a further economic readjustment.

From this, we can see that a further readjustment of the national economy is an important policy decision of the Party Central Committee based on all-round appraisal of our national economy. It is a sound and sober readjustment. Only through such a readjustment can we overcome the various difficulties now confronting us, eliminate the hidden dangers, insure the stability of the overall economic situation and gradually shift our economic work from a negative to a positive role.

2. Carrying Out Further Readjustment Indicates That Our Economic Work Has Truly Been Freed from the Influence of "Leftist" Ideas and Is Now Undergoing Sound Development

In addition to overcoming the present economic difficulties, the Party Central Committee's decision to further readjust the national economy can, in a deeper sense, free our economic work from the influence of "leftist" ideas and enable the entire economy to proceed from the realities of China and to embark on the road of sustained stability and sound development.

We have won great success in socialist construction since the founding of the People's Republic. In agriculture, the total grain output was only some 200 billion jin in 1949.

In the past 3 years, however, the grain output was more than 600 billion jin each year. We have only approximately 7 percent of the total farmland acreage in the world, and are able to basically solve the problem of feeding 1 billion people--approximately one quarter of the world population. This is a tremendous achievement recognized by the whole world. In industry, we have established a fairly complete industrial system and national economic system on the very weak industrial foundation of old China. There are now nearly 400,000 industrial and transportation enterprises and units in our country, and the fixed assets of the state-run enterprises are now nearly 20 times those of the pre-liberation period. In 1980, the total national industrial output value was 35 times that of 1949, and the successful experiments in atomic bombs, hydrogen bombs and guided missiles; the launching and recovery of the artificial satellite, and particularly the successful launching of China's first carrier rocket are all vivid indications of our great advance in science and technology. All these achievements are the results of the common efforts of people of all nationalities under the party's leadership as well as an indication of the superiority of the socialist system.

Yet we have committed many blunders, including serious blunders in economic construction, and the several setbacks we experienced have brought great losses to the people and slowed down the progress of socialist construction. The most important lesson we have learned from economic work since the founding of the People's Republic is about the "leftist" guiding thought. During the first five-year plan, our steps were fairly firm and steady and economic development proceeded smoothly. After 1957, however, we became imprudent in the face of victory and some comrades, dizzy with success, began a 3-year leftist hasty advance. Under the slogan of "Great Leap Forward," they strove for high accumulations, high targets and high speed, resulting in a serious economic imbalance. Thus we had to spend several years in carrying out important readjustments. From 1962 to 1966, we corrected these mistakes and rode through the storm under the leadership of the Party Central Committee. However, since the "leftist" guiding thought had not been eradicated, the same old "leftist" principles and policies again reared their heads as soon as the economy improved. Thus once again, we experienced a serious imbalance lasting through the 10 years of turmoil until 2 years after the smashing of the "gang of four."

Historical experiences have shown that in order that there can be a sound development of the national economy, we should first set right the guiding principle for economic construction. We have had many setbacks in our socialist construction mainly because we did not take a sober view of our basic national situation and did not know that long and arduous efforts are required in raising our backward productive forces to the level of advanced productive forces. Thus under this guiding principle, we were over-anxious for success and continued to repeat the "leftist" mistakes. If we are soberly aware of this point and set right the guiding principle, we will be able to overcome the present economic difficulties, bring about a well-coordinated, sound and steady development of our economy, and avoid any recurrence of major setbacks. What is our country's situation? The basic features of our country is a huge population, poor economic foundation and low-level technology. Although we achieved great success in economic construction after the liberation, China is still a large and poor country and there are not many countries of this type in the world. We have a population of 1 billion including 800 million peasants; we are unique in the world in this respect. European and American countries, and Japan too do not have the problem of a large population with so many peasants. Our gross national production looks quite impressive, but if it is averaged out among the population, it

is quite low. We have a weak economic foundation, and developments in various areas are uneven. In some areas, the level of development in production is fairly high, but some areas are still quite backward. Our science and technology have made good progress, but are, generally speaking, still rather backward. Our labor productivity and level of economic management are also fairly low. Yet this is the very country in which we are striving for the four modernizations and carrying out economic construction. To build a modernized country with a high standard of material and spiritual civilization out of such a large and poor country is no easy task. We can never achieve quick success by relying only on subjective enthusiasm or by hoping for miracles overnight. Instead, we should rely on the persistent efforts of people throughout the country, under the correct guidance of the Party Central Committee, in attempting only the possible according to the proper procedure. This will call for arduous and sustained efforts.

An accurate knowledge of our country's situation is the key factor in overcoming the erroneous "leftist" guiding thought in economic work. During the War of Resistance, Comrade Mao Zedong criticized the "theory of quick victory; everybody would be in favor of driving the "devils" out overnight. But we point out that, in the absence of certain definite conditions, quick victory is something that exists only in one's mind and not in objective reality, and that it is a mere illusion, a false theory. Accordingly, having made an objective and comprehensive appraisal of all the circumstances concerning both the enemy and ourselves, we point out that the only way to final victory is the strategy of protracted war, and we reject the groundless theory of quick victory." ("Selected Works of Mao Zedong" Vol 2 p 427) Practice has proved this to be entirely correct. This is true not only for the War of Resistance Against Japanese Aggression; even in our democratic revolution, we were able to win great victories only because, after several failures on the part of our party, we had ascertained China's situation, corrected the various erroneous tendencies, particularly the influence of the leftist line, and discovered a dependable and correct revolutionary road suitable for the realities in China. Now the Party Central Committee has correctly summed up the historical experiences and is firmly proceeding from the country's situation in the decision to make a further economic readjustment. This shows that from now on, we will be further emancipated from the shackles of "leftist" ideas, and this is of very great significance in insuring the sound and steady development of our national economy.

3. Success in Further Readjustment Will Certainly Bring More Realistic Hopes for the Four Modernizations

Some comrades have the worry that further readjustment of the national economy may adversely affect the four modernizations. These worries should be dispelled. Further readjustment of the national economy is in line with the correct general and specific policies of the Third Plenum of the 11th Party Central Committee now being continued and developed; it is also the implementation of the realistic guiding thought for correcting the leftist mistakes. Success of this readjustment, far from obstructing the four modernizations, will bring even more realistic hopes for their accomplishment.

Since the Third Plenum of the 11th Party Central Committee, the Party Central Committee has successfully led us in the shift of the focus of work; set the correct political and ideological lines; formulated a series of general and specific policies; introduced a series of reforms; and proceeded with the readjustment of the national

economy, all with outstanding success. While wholeheartedly supporting the party's correct policies, the broad masses of cadres and people are worried about the possible changes of these policies. Such worry is entirely understandable; but we must realize that far from changing the general and specific policies formulated after the Third Plenum, further readjustment of the national economy is precisely to further implement the spirit of the Third Plenum and to more effectively uphold the correct lines, principles and policies of the party. If there is any change at all, it can only mean the correction of the mistakes in our work which do not conform to the spirit of the Third Plenum and the determination to get rid of the unrealistic ideas and high targets based on subjectivism. This is exactly what the line of the Third Plenum wants us to do in the interest of the four modernizations.

What should be our attitude toward the necessary retreat in certain fields in the course of readjustment? This is a question very often asked at present. In the further readjustment of the national economy, we have to retreat, and to retreat sufficiently, in certain fields. For example, in a resolute reduction of capital construction projects, there should be also reduced administrative and national defense expenditures, while the measures for improving people's living conditions should be kept within the limits of the country's capability. In this connection, we must bear in mind the overall situation and view problems from the standpoint of development. In the past, some people held the view that in undertaking economic construction, there can only be advance, but not retreats; or only mounting, but not dismounting. Even hasty advance was permitted and any opposition against hasty advance was forbidden. Facts have proved that these views are erroneous and the reflection of leftist ideas in economic work. In socialist construction, the relationship between advance and retreat is one of dialectical unity. Under certain conditions, the purpose of a temporary retreat is precisely to facilitate a later advance, while that of a partial retreat is to gain stability and initiative to control the overall situation. We now find it necessary to retreat in certain fields only because we may otherwise fail to stand firm on a dependable foundation or to advance with sound steps. Only a retreat in certain fields can help us achieve stability and gain the initiative in dealing with the overall situation and in leading the entire economy onto the road of sound development. At the same time, we must understand that by retreating, we mainly refer to a retreat in capital construction and similar undertakings, while in other fields, such as agriculture, light industry, the production of people's daily necessities, energy, transportation facilities, and the scientific, educational, public health and cultural undertakings, we should still make every possible effort for their continued development. Therefore, for the national economy as a whole, there should be retreats as well as advances, but not retreats without advances. After this readjustment, the proportionate relationships in various sectors of our national economy will be gradually and basically improved and the improvement will further promote the smooth development of the four modernizations. Just as Comrade Deng Xiaoping recently said, the readjustment of the national economy and the reduction of the scale of capital construction mean a temporary retreat, though essentially it means an advance. Through the readjustment, we can take firmer and more steady steps in economic development. In this sense, economic readjustment should be helpful to the four modernizations. We can anticipate that as long as we firmly uphold the Party Central Committee's policy decision, we can certainly successfully complete the task of a further national economic readjustment, and will have even more confidence in the ability of our state to become a "fairly well-to-do society" in approximately

20 years, and then to continue its gradual advance in accomplishing a still higher standard of modernization.

(Originally carried in JIEFANGJUN BAO, 23 Jan 81)

Means of Readjustment

Shanghai WEN HUI BAO in Chinese 29 Jan 81 p 3

[Reprint of article from Beijing JIEFANGJUN BAO 28 Jan 81: "We Have the Means to Effectively Handle Further National Economic Readjustment--Second of a Series of Lecture Materials on Further National Economic Readjustment"]

[Text] The ultimate objective of further economic readjustment is to thoroughly adjust the serious imbalance and to lead our national economy onto the correct path of planned, proportionate and steady development. This will call for persistent and unremitting efforts in the next several years. Our main objective in the current year is to wipe off the financial deficits as quickly as possible, to strive for a credit balance, and to preserve price stability. The Party Central Committee has decided on the task of readjustment by taking into account both the immediate and the ultimate goals.

Then how should we proceed with a further readjustment economically?

1. Retreat Sufficiently When Retreat Is Necessary; Stand Firm First

At present, an outstanding problem in our national economy is that the capital construction front has been over-extended; that the number of enterprises and units is increasing too rapidly resulting in excessive development of heavy industry and processing industry, the surplus of financial outlay over financial income, excessive issuance of currency, and price increase. To readjust the economy properly, there must be retreats, and sufficient retreats, in these areas. On the whole, there should be retreat in capital construction. Some enterprises in no condition for production should be closed, suspended, merged with others, or should change their line of production; and administrative expenses (including national defense expenditures and the administrative and management expenses of all enterprises and establishments) should be curtailed in order to bring about financial and credit balances. All undertakings connected with production, construction, general administration and improvement of people's living conditions should be carried out within the limits of capability, and all expenditures should be kept within the limits of income. Basically, sufficient retreat means, in principle, adapting the guiding thought of our economic construction with the availability of financial and material resources so that there will be financial, credit and material balances. Only thus can we stabilize commodity prices, strengthen the economy and advance with sound steps.

Retreat in capital construction is the central link in further economic readjustment. The Third Plenum of the 11th Party Central Committee clearly pointed out the need for a policy of reducing the scale of capital construction, and in the past 2 years, a great deal of work was done in clearing up the projects under construction and in reducing the scale of construction. A certain number of large and medium-size projects in addition to many small ones have been either stopped or put off for the time being. However, the present capital construction front is still over-extended,

and the general scope of construction is still too large. According to statistics, the total investments in large and medium-size projects newly started in 1980 were 75 percent higher than the total investment originally earmarked for the projects now being stopped or postponed. The 800-900 large and medium-size projects now under construction call for a total investment of more than 100 billion yuan, while the state can afford to invest less than half of this amount. Furthermore, there is a serious shortage of materials for these state capital construction projects. In 1980, the total amount of steel materials for capital construction available from unified state distribution or through other possible channels could only be approximately 85 percent, the available timber could only be 60-70 percent; and the available cement could only be 60 percent of what is required by the scope of capital construction based on the total investments. It is quite obvious that the general scope of capital construction has far exceeded the limits of the state's financial and material resources. The excessive outlay on capital construction accounts for the financial deficits which is the economic basis for the excessive issuance of currency by the bank, resulting in the instability of commodity prices. To lead an ox, we have to lead it by the nose. For the same reason, the Party Central Committee has decided to carry out sufficient retreat on the capital construction front. In so doing, the Party Central Committee will have a firm hold on the central link for the solution of various economic problems.

Some comrades may ask: Although the shortening of capital construction front has been going on for many years, this front has become even more over-extended. Can any effective measure be taken this time? Yes! First, the correction of leftist errors in order to achieve a unified ideology. The failure to shorten the capital construction front over a long time has its ideological roots, namely the deeply ingrained "leftist" ideas in some comrades' minds. They were over-hasty in the accomplishment of the four modernizations, and lacked a thorough understanding of the Central Committee's policy of economic readjustment. Thus they implemented this policy only half-heartedly. Instead of retreating, they even wanted to advance, and to advance vigorously. This accounted for the repeated obstructions to the readjustment of capital construction. In order that there will be sufficient retreat in capital construction, we must first eradicate the influence of "leftist" ideas and enhance the awareness of the necessity and urgency for national economic readjustment among all party members, so that there will be a unanimous agreement throughout the party on the correct line of the Third Plenum. Resistance in implementing the Party Committee's policies, passive resistance against it, or compliance in policies, passive resistance against it, or compliance in public but opposition in private is resolutely forbidden. Second, a strong centralized management and strict organizational disciplines. Another important reason for the failure to curtail the capital construction front is that, in addition to the opportunities provided by chaotic management, there are now too many channels for the appropriation of funds. Aside from the investments from the state's budget allocation for capital construction, there are also other allocations in the state budget for projects of a capital construction nature, the funds raised locally out of the standby financial resources, and the various types of foreign funds which can be used for capital construction. Several large banks are also vying with one another in extending loans for the same purpose. The most tricky method is the use of funds earmarked for the replacement and renovation of equipment on technological projects, because nearly half of these projects actually belong to the capital construction category. According to information received, there are 20 or 30 sources of funds in many localities, and some localities even have 50 or 60 sources. The Party Central Committee is now taking specific remedial action by clearly

stipulating that hereafter all large and medium-size capital construction projects, regardless of their being financed by government allocation, loans, self-raised funds, foreign or other funds, must be incorporated in the state capital construction plan, while small projects should be incorporated in the local capital construction plans in order that a unified overall balance can be worked out. These plans, as soon as determined, will be final, and there will be no more additional projects or additional investments later. Third, continued efforts in clearing up projects under construction and strict compliance with the procedures of capital construction. For sufficient retreat in capital construction, attention should be paid to the newly started projects, and, more important still, continued efforts should be made to clear up the projects under construction. Those projects, including large-scale imported projects, which have been rashly started with no assurance of material and energy supplies; which do not have the required geological and hydrological conditions; which have been poorly designed and are using backward technology; and which should be stopped or put off for the time being, must be resolutely stopped and any further construction must be prohibited. The duplicated projects, including large, medium-size and small projects, technical projects, projects for commune- and production brigade-run industries, and projects for agricultural-industrial-commercial complexes, should also be resolutely stopped. We believe that as long as we conscientiously carry out the resolute measures of the Party Central Committee and the State Council, there will be a sufficient retreat in capital construction this time.

Another important link in the further readjustment of economy is to shorten the industrial production front and to close down, suspend and amalgamate some enterprises, or to change their lines of production, if they are not operating under adequate conditions of production. Another important cause of the serious imbalance in the national economy is that the industrial production front too has been over-extended beyond the limits of available energy, raw and semi-finished materials and transportation facilities. By the end of 1978, there were more than 348,000 industrial enterprises and units, an increase of some 54,000 over the number of 1976. After the Third Plenum, it was proposed that some of the existing enterprises be streamlined, and that those enterprises consuming excessive raw materials, producing low-quality and unwanted goods, and suffering serious losses, should be closed down permanently or temporarily, amalgamated, or have to change their lines of production in order that the energy, raw and semi-finished materials and transportation facilities, thus saved, can be used to strengthen the weak links in the national economy. However, not much progress has been made in the past 2 years, and the plan of closing down, suspending, and amalgamating the old enterprises, or changing their lines of production was not fulfilled. Again, a number of new enterprises were rashly started. Instead of being reduced, the number of industrial enterprises throughout the country actually increased by nearly 10,000. Some of these new enterprises are producing urgently needed goods, but most of them are duplicated projects hurriedly developed from small factories. The over-extension of the industrial production front has brought new serious problems to the national economy. First, since iron and steel production, which consumes a great deal of energy, cannot be reduced, the overstocking of heavy industrial products is now assuming alarming proportion. For example, the stockpile of steel materials in the country by the end of last November amounted to nearly 20 million tons, an increase of 170,000 tons over that of early 1980; the value of mechanical and electrical products in storage by the end of last June amounted to 61.9 billion yuan, an increase of 600 million yuan over that of early 1980. Secondly, the competition of small factories with advanced large plants brought about a shortage of raw materials for some key enterprises in light industry and textile industry in the country. Let us take

the cigarette industry as an example. There are altogether 81 cigarette factories according to the state plan, and they are operating under capacity because of the shortage of raw materials. Yet the tobacco producing areas have set up many small cigarette factories of their own in recent years, thus further reducing the amount of tobacco for the regular factories. The amount of tobacco transported out of Henan, Shandong, Yunnan and the Guizhou--the four large curi tobacco producing areas--was reduced by two-thirds, as compared with that of 1978. Shanghai Cigarette Factory is the largest of its kind in China, and its daily output of such famous brands as "Zhonghua," "Hudun," "Fenghuang" and "Qiansun" cigarettes was more than 2,000 crates. The shortage of raw material seriously affected its production in 1980 resulting in a shortage of market supply. Thirdly, the number of enterprises operating at a loss has increased, causing a collection of profits to be handed over to the state. In 1980, the total industrial output value in the country increased by 8.4 percent over that of 1979, but the amount of profits handed over to the state by the state-run industrial enterprises was reduced by 1.3 percent.

For a further economic readjustment, the Party Central Committee and the State Council have decided to shorten the industrial production front by adopting a series of measures. (1) Reduction of goods in excessive supply, and particularly the readjustment of the heavy industrial enterprises producing steel, chemical fertilizers, machinery and so forth, which are consuming a great deal of energy, having huge stockpiles and operating very much under capacity. (2) Resolutely closing, suspending and amalgamating a number of enterprises, or changing their lines of production, because of their low-quality and unwanted goods produced with high consumption of raw materials. The same measure applies to those which have long operated at a loss and under capacity; the small and backward enterprises which are competing with large and advanced ones; and those which are engaged in duplicated production. (3) Consolidation to be carried out in earnest for the industries run by the rural communes and production brigades. For example, the commune- and production brigade-run tobacco factories, and cotton textile mills should be resolutely shutdown in order to encourage the integration of raw material producing areas with the old industrial bases.

Many comrades are quite concerned for the workers and staff members of the enterprises to be shutdown. Will there be another mass migration to the countryside like it was in the early 1960's? This important problem, which concerns thousands or tens of thousands of people has been carefully studied by the party and government and suitable measures have been worked out for its solution. The readjustment which took place in the early 1960's was a forced retreat under extremely difficult conditions, and 20 million workers and staff members went to the countryside in response to the party's call. The situation now is different, because agricultural and light industrial production is far better than it was in the early 1960's, and the actual economic strength of the state is also far greater. The methods used by the Party Central Committee for the disposition of these workers and staff members will also be vastly different. Some of them can be transferred to the service trade, the commercial departments, the maintenance and repair trade or other trades of high labor intensity; others can be employed in beautifying the environments by planting trees or to help in municipal administration; still others can attend cultural or technical classes after the conversion of the premises of the shutdown enterprises into schools, in order to be better qualified for cultural and technical undertakings as well as management. This is in fact a form of intellectual investment of great significance. Whatever may be the method used, the workers and staff members will be paid their basic wages in order that their means of living can be assured.

Nonproductive spending should be curtailed in order to wipe off financial deficits as soon as possible. Sufficient retreat in capital construction will greatly reduce the outlay on capital construction, while shortening the industrial production front will reduce the stagnation of circulating funds. These two measures will greatly help reduce our financial outlay and are of decisive significance in wiping off the deficits. However, our financial outlay still includes quite a large portion of nonproductive spending, such as administrative expenses, and expenses on national defense and preparation against war. At present, among some enterprises, establishments, government offices, mass organizations and army units, extravagance and waste are quite prevalent. Therefore, we must continue to implement the spirit of the "Notice on Reducing Nonproductive Spending and Opposing Waste" issued by the Party Central Committee and the State Council, and carry forward the glorious tradition of hard struggle and building our country through diligence and frugality. We must carry out the policy of "better troops and simpler government" in a planned and systematic way, and thoroughly change the present state of overstaffing and low working efficiency. We should also strictly limit institutional purchasing and do our best to curtail all nonproductive spending. We will resolutely refrain from spending any money that is not necessary; if necessary at all, we should minimize the spending by careful budgeting and meticulous calculation. This will not only help our present readjustment, but also in the long run serve as an indispensable condition for the task of modernizing a large and poor country.

In improving people's living conditions, we should act within the limits of our capability and keep our spending within the limits of our income. Since 1979, the party and the government have adopted many measures for the improvement of the people's living conditions. In 1979 alone, we raised our spending on the procurement of agricultural and sideline products by 7.8 billion yuan, and spent another 7.5 billion yuan in raising the wages of some workers and staff members and paying bonuses. All these spendings are justified and necessary. Practice has proved that these spendings have improved the workers living conditions, aroused their enthusiasm in production, and effectively promoted the development of production. However, it must also be admitted that these two items of spending alone have already exceeded the budgeted amount by 1.6 billion yuan. Since the planned reduction in capital construction and other spendings in the nature of accumulation failed to materialize, the spending in the nature of consumption for the improvement of people's living conditions therefore was in excess of the original plan. This was one of the direct causes for the financial deficits which appeared for the first time in 1979. To wipe off these deficits as soon as possible, we must reduce the "accumulation" spending by a wide margin and at the same time keep our "consumption" spending within the limits of our capability or the limits of our income as a matter of principle. We must resolutely stop the indiscriminate payment of bonuses, lavish spending, extravagance and waste. The extent to which people's living conditions can be improved cannot be decided by our subjective wishes; the deciding factor lies in the market supply of consumer goods, and the makeup of consumer goods including food, clothing and other necessities. The present demand in society is in excess of the products which the society is able to supply. If we blindly increase our "consumption" spending, it can only intensify the strain on the market supply of consumer goods. This will add to the difficulty of price control and whatever has been gained for the initial improvement of people's living conditions after the Third Plenum will again be lost. If the people understand this situation, they will support the state's policy of curtailing various expenditures, and be willing to overcome the difficulties through hard struggle.

2. Advance Actively if Such Action is Justified in Maintaining the Continued Development of Production

In economics, further readjustment does not necessarily mean a wholesale retreat, but rather retreat as well as advance. In a certain sense, the purpose of a retreat in certain fields is to gain an all-round initiative for the purpose of advancing. During the period of readjustment, other fields of work, including agriculture, light industry, and production of articles of daily use, energy production, construction of transport facilities, and scientific, educational, cultural and public health work must continue to be expanded as much as possible. We should promote the production of what is needed by the society, provided we are in a condition to do so. This is another aspect of the important task of readjustment. Production is the foundation of finance. We can increase our income, and finance can play an active instead of a passive role only provided production has been developed. Production is also the foundation of consumption. There can be material guarantee for the improvement of people's living conditions only provided production has been developed and social commodities have been increased. Therefore, the Party Central Committee has called on the leading organs at various levels and the enterprises to direct their main efforts in helping the existing enterprises boost their production.

We must continue to promote agriculture production. Since the Third Plenum, the Party Central Committee has concentrated its energy on agriculture and formulated a series of general and specific policies for accelerating agricultural development. These measures have been a great success and the present fine situation in the country has had few parallels in many years. To further develop this gratifying situation, we must concentrate our efforts on striving for a good harvest in the current year. This is one of the main aspects and important conditions for a further economic readjustment and the preservation of economic stability. At present, the state is still unable to invest heavily on agriculture. In developing agriculture, we have to depend on, first, policy and, second, science. The party's agricultural policy has already demonstrated its great strength and is welcomed by 800 million peasants. We must continue to conscientiously implement this policy, eliminate the worry that this policy may change, and further arouse the initiative and enthusiasm of the broad masses of cadres and people for production in the countryside. Along with the development of agricultural production and the peasants' soaring enthusiasm in scientific farming, the state is now actively providing guidance for grain production as the first component of the internal structure of agriculture. As Comrade Mao Zedong said before, we need not be afraid as long as we have grain, and everyone will be happy when they stand on solid ground. While attending to grain production, we should at the same time encourage multiple undertakings; otherwise it will be hard for agriculture to make much headway. Furthermore, in addition to agriculture, we should also pay attention to the all-round development of forestry, animal husbandry, sideline production and fishery.

We must insure that light industry enjoys priority in development. Light industry is an important source of national revenue, an important factor for safeguarding people's daily necessities, an important base for national exports, and the "trade of high labor intensity" for providing more jobs to workers. Therefore light industry occupies an important position in the national economy. In accordance with the "eight-character" policy put forward by the Party Central Committee in 1979 for the readjustment of the national economy, the state has adopted a series of measures for adjusting the proportionate relationship between light and heavy industries,

and to speed up the development of light industry. Beginning from the second half of 1979, there appear a new phenomenon of light industry overtaking heavy industry. Such a development should be maintained and more energy should be spent on light industrial production. For this reason, the State Council has adopted the following special measures: (1) Continued adherence to the "Six Priorities" Policy, that is, priority in the supply of raw materials, fuel and electricity; priority in tapping potentials, renovating and innovating the existing enterprises; priority in the construction of new projects and bank loans for this purpose; priority in appropriation of foreign exchange and the import of the latest technology; and priority in communications and transportation. (2) The departments and areas concerned should make every effort in transferring or supplying the agricultural, sideline and animal husbandry raw materials required by the light and textile industries according to planned arrangements. The required standard, varieties and quality of the raw materials as specified in the plans should be guaranteed. (3) The foreign exchange at the disposal of the localities should be mainly used for importing raw materials for the light and textile industries, spare parts and accessories of durable consumer goods to be used as supplements to the state's planned distribution or for meeting the requirements of local above-quota production.

While accelerating the development of light industry, continued attention to the readjustment of heavy industry (including national defense industry) is still necessary in order that it can provide better service to light industrial production. The technical forces, factory buildings, and equipment being surplusd in the readjustment should be used to produce light industrial goods required in the market. Some heavy industrial enterprises can also form economic integrations with light industrial enterprises in various forms so as to further develop the production of articles for people's daily use. Efforts should be directed to the production of not only consumer goods but also the means of production needed for people's daily life, such as the construction materials urgently needed by the peasants for building houses.

Attention should be paid to energy conservation and to increase production along with the practice of economy. During the period of economic readjustment, the output of coal and petroleum may be temporarily reduced because of the need to adjust the internal imbalance in the energy industry. Thus great efforts should be made in energy conservation in order to maintain a certain speed of industrial growth. This is the most effective way to solve the problem of energy shortage in the next several years. We have achieved certain success in energy conservation in the past 2 years. In 1979, we saved or reduced the consumption of standard coal by 23.6 million tons; in the first 10 months of 1980, we saved, or reduced the use of standard coal by 27 million tons. Despite the difficulties caused by a 2.6 percent reduction of energy consumption as compared with the previous year, we could still achieve an increase of 8.4 percent in our industrial output value. Yet we must note that our country is now only in the first stage of energy conservation, and there are still great potentials to be tapped. Our national income for every 10,000 tons of energy consumed is not only much lower than those of the industrially developed countries, but even approximately 20 percent below that of 1965 in our own country. The main causes are: failure to improve the work process and to renovate the technically backward equipment; the lack of scientific and rational organization for industrial production; failure to readjust the operation of some high energy-consuming enterprises; poor energy management; and serious waste of energy in our daily life. As long as we further enhance people's awareness of the significance of energy conservation,

adopt suitable energy conservation measures, set up effective rules and regulations and specific procedures; and work steadfastly for energy conservation, it is possible for us to increase production even though energy consumption is reduced.

Scientific, educational, cultural and public health work should be developed to the best of our ability. Although expenditures should be reduced during the period of readjustment, the outlay on scientific, cultural and public health work should be increased, for the reason that one of the main difficulties in our modernization drive lies in our scientific and technological backwardness and the lack of qualified personnel. In the long run, a high standard is required for not only material but also spiritual civilization during our socialist construction. Without full development in the fields of science, education, culture and public health, we cannot build genuine socialism. At present, the party and state are exerting great efforts in popularizing education as an important aspect of the readjustment. They are also doing their best in solving the real problems of secondary and elementary school teachers and other personnel of the low income brackets.

Continued efforts should be made to solve the employment problem. Since the Third Plenum, the party and the state have exerted great efforts in solving the problem of livelihood of people waiting for jobs, and have given jobs to more than 10 million in the cities. During the period of further economic readjustment, although nearly 10 million workers have to study after leaving their jobs, the government is still determined to continue its efforts in solving the employment problem by adopting measures under the system of collective ownership to create more job opportunities. This once again shows the concern of the party and the government for the people's livelihood and their determination to solve their problems by every possible means.

3. Correctly Handle the Relationship Between Restructuring and Readjustment to Insure the Smooth Progress of Readjustment

After the Third Plenum, we have carried out certain preliminary restructuring of our economic system. Practice has proved that the orientation of restructuring was correct and that it has produced good results. It has also played an active role in enlivening the economy and improving the economic results. Therefore, we must have a strong faith in the orientation of the restructuring of the economic system. On the other hand, however, some new problems cropped up in the course of restructuring. At present, the main problem is the contradiction between readjustment and restructuring. For readjustment, the Central Committee has to work out an overall plan for the whole country and to achieve an overall balance from the standpoint of macroeconomics, and then gradually adjust the serious economic imbalance. This calls for due concentration of power and the necessity of administrative intervention. In restructuring, however, we have to give play to the initiative and enthusiasm of the localities, enterprises and producers in order to achieve optimum economic results from the standpoint of microeconomics, and, on such a basis, gradually choose the most economical system in production, circulation, distribution and various other links. This calls for due decentralization of power and full utilization of the law of value and the regulative role of the market. At present, the serious imbalance in our national economy has not been basically adjusted and there are many loopholes in our financial, credit and material control systems. Under these difficult conditions, how can we handle the relationship between readjustment and restructuring and correctly resolve this contradiction?

At present, readjustment should be the central task, while restructuring should be subordinated and helpful to readjustment. All measures for restructuring that are helpful to readjustment should be upheld and actively carried out. For example, we should continue the experiment of expanded power of decision-making among more than 6,000 enterprises, carefully sum up their experiences, and continue to improve the methods used. For those enterprises not undergoing this experiment, we should continue to practice the system of enterprise funds or the method of holding the enterprises responsible for their own finances. Those enterprises which have turned their losses into profits after operating at a loss for a long time should be rewarded. A small number of enterprises and certain individual towns have already carried out the experiment of "substituting tax for profits, independent accounting, and responsibility for profits and losses." This experiment should be continued and the experiences should be carefully summed up. However, there should not be too many such experimental units. The use of the market's regulative role under the guidance of state planning should be continued, and the departments in charge should step up their work in market forecast and report. If necessary, there should be administrative intervention in order to reduce the likelihood of ill-considered action. The reorganization and integration of enterprises should be continued. We should take advantage of any favorable opportunity in the course of making readjustments to reorganize industry among the enterprises that have been shutdown, suspended, amalgamated, or ordered to change their lines of production, according to the principle of specialization and cooperation and other rational principles, by breaking through regional and departmental barriers. Then we can form new productive forces by organizing economic integrations in various forms. Democratic management of enterprises should be encouraged, and full play should be given to the roles of workers' congresses, workers' general meetings and the trade unions. Provided the economic system of public ownership enjoys predominance, the development of the economic system of individual ownership in cities should be permitted so as to provide more job opportunities. On the premises of self-reliance and maintaining independence and keeping the initiative in our own hands, we should implement the series of set economic policies of opening our country to the outside world, sum up our experiences, and make such revisions as are necessary as we go along. This way of restructuring, if well handled, will be advantageous to the development of production and help promote the readjustment instead of hindering it.

Some type of restructuring may seem rational in the long run but is now in conflict with the readjustment. In this case, the restructuring should be deferred. Restructuring the system of pricing, for example, cannot be undertaken in the next several years. Again, such long-term tasks as making good use of certain regional strong points, accelerating regional economic development and changing the geographical distribution of industry should be undertaken in a planned and a systematic way on the condition that at present, they should be subordinated to the readjustment of the national economic readjustment. If the pace of restructuring will be slower, more firm and more accurate, it will be possible for the leadership at various levels to concentrate their efforts on the readjustment and at the same time help restructuring to maintain its steady progress. As soon as the readjustment is completed, conditions will then be favorable for an all-round restructuring of the economic system.

4. Strive to Improve Economic Results and Discover A New Way For Economic Development

In the course of economic readjustment, such questions as which department should advance, which department should retreat, which type of restructuring should be urgent, and which type of restructuring should go slow, should all center around one requirement, namely, economic result, or the requirement to give maximum satisfaction to social needs with a minimum expenditure of labor.

Poor economic results are one of the outstanding weaknesses in our present national economy. If we will compare them with the best results even attained in our country, we will see that we are now spending 2 yuan on what formerly costed only 1 yuan, and that we have now to spend 8-10 years in completing and commissioning a project which formerly required only 4-5 years. In industrial production, calculated in terms of profits and tax revenues per unit output value, the country's annual income has been reduced by roughly more than 20 billion yuan. If we calculate in terms of the circulating capital per unit output value and per unit commodity retail sale, an additional circulating capital of several tens of billions of yuan are now being taken up. In short, in capital construction, production, circulation and various other spheres, there are great potentials to be tapped for economic results. If the leading organs at various levels and every economic unit can make every effort to improve the economic results, the national wealth will be increased by more than 100 billion yuan even though no further investment is required. Our economic situation will then be vastly different.

One of the effective ways to improve economic results is to run the existing enterprises well. At present, we have already 400,000 industrial and transportation enterprises, and the fixed assets of state-run enterprises amount to more than 400 billion yuan. This is a dependable base for us to begin our march toward the goal of modernization. However, the role of these enterprises have not been fully developed. In the case of machinery industry, for example, there are more than 2.78 million sets of lathes in our country which now ranks second in the world, since even the United States do not have as many as ours. Yet the utilization rate of our lathes is only 52.1 percent, and many enterprises are operating at half capacity or not operating at all. Some plants, although kept occupied, are turning out high-cost, low-quality and unsaleable goods because of poor business management and backward production technology. Since the Third Plenum, consolidation has been carried out on some enterprises with certain success. In the next several years, we should still take advantage of the opportunity provided by the readjustment to consolidate and improve the several tens of thousands of enterprises. There are now four tasks being undertaken in earnest: (1) Attending to various types of basic work, perfecting the system of responsibility, doing a good job in economic accounting, and setting up normal production procedures and strict labor disciplines. (2) Paying attention to the job of closing, suspending and amalgamating some enterprises, or changing their lines of production and developing various forms of integration in coordination with the reorganization of enterprises. (3) Replacing the equipment and carrying out technical innovation in a planned, systematic and selective way for the present enterprises, beginning with technical innovation for energy conservation. (4) Setting up fairly regular education programs for the workers and staff members and training all the personnel in a planned way (or carrying out a comprehensive training program for workers as well as managers). After several years' efforts, there should be marked improvements in the organization, management and production techniques of our present enterprises.

Giving full play to the role of the present enterprises will enable our national economy to embark on a new road of steady development. For a long time, we have

taken the road of stressing capital construction, neglecting production, or the road of high accumulation and low efficiency. Whenever the development of production is mentioned, people will first of all think of increased personnel, equipment and investments, and undertaking new projects with new setups, while no thought is given to the improvement of management for the old enterprises, to the replacement of their equipment or to raising their technological level. Thus these old enterprises remain indefinitely in their backward state and can only produce low-quality goods at high material consumption. Furthermore, in striving for output value, they pay no attention to market demand, resulting in a dislocation between production and marketing and serious overstocking. This backwardness, blindness and irrationality have created a shortage of fuel, power and raw materials and thus spurred the expansion of capital construction projects, particularly the expansion of heavy industry. Outwardly, the growth of production is not slow at all, although the social wealth created and the benefits for the people are very little. The Party Central Committee has now soberly summed up the past experiences and are looking for a new road. Instead of increased capital construction, more new setups and much higher consumption of energy and raw materials, it is now mainly relying on a more active role of the present enterprises, more rational technical transformation, reduced material consumption, better quality and higher efficiency in expanding social production. In taking this road, we cannot expect a very high speed; but the economic benefits will be greater and social wealth will be increased resulting in better welfare for the people. Only this road can lead a country with a large population and a weak economic foundation to a satisfactory relationship between accumulation and consumption and between production development and the improvement of people's living conditions; and to a basic solution of financial and economic problems and increased economic stability. This is the only road to the accomplishment of modernization and the road on which we place our hopes.

In view of the above, it is not difficult for us to come to this conclusion: The Party Central Committee's policy decision on the further readjustment of the national economy is a sober and a sound one, and the measures taken are positive and down-to-earth. As long as the whole party, the whole army and the people of the whole country are united as one in the hard struggle, the goal can certainly be attained.

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NATIONAL POLICY AND ISSUES

STUDY OF THEORY OF OVERALL BALANCE CALLED NECESSARY

Beijing RENMIN RIBAO in Chinese 12 Feb 81 p 5

["Academic Trend" column article by Yang Shengming [2799 5110 2497]: "Step Up the Study of the Theory of Overall Balance"]

[Text] Recently a national meeting was held in Shenyang to discuss the problems of the theory of overall balance in national economy. The meeting witnessed a heated discussion centering around three problems in the light of realities.

The Main Lessons Learned from the Work on Overall Balance in the Past 30 Years

1. Overall Balance To Be Constantly Upheld in National Economy

Many comrades held that in the past, a balance based on high targets but leaving some gaps was lauded as being "positive" while a balance based on realities and leaving some leeway was criticized as being "negative." This idea brought many evils to the national economy.

Many comrades also held that with the exception of the fairly successful overall balances in the first five-year plan and during the period of readjustment in the 1960's, overall balances were in varying degrees neglected or totally ignored. They unanimously agreed that as proved by practice in the past 30 years, whenever there is a successful overall balance, economy will develop rapidly with good economic results; on the other hand, whenever overall balance is ignored or neglected, economy would develop only slowly or even backslide. Therefore, overall balance must be constantly upheld in national economy.

2. The Need for Correct Guiding Thought for Overall Balance

The comrades all agreed that we had done a great deal of work for the overall balance. During the first five-year plan, for example, it was proposed that the Ten Major Relationships be well handled; that overall planning, comprehensive consideration and appropriate arrangement be practiced; that the three major balances in finance, credit and materials be upheld; that planning and financing should regulate each other; that proportions of accumulation and financial revenues to the national income, and the proportion of investments in capital construction to financial expenditures be kept within limits; that the priority order of livelihood, production and capital construction in the allocation of funds and materials be observed; that the scope of

capital construction be suitably adjusted to the national financial and material resources as an indication of economic stability; and so forth. Again, in the 1960's, it was proposed that the arrangements of the national economic planning should be based on the priority order of agriculture, light industry and then heavy industry, or, as the doggerel goes, "To provide food, clothing and other necessities, follow the agriculture-light industry-heavy industry priority"; that there should be simple reproduction before expanded reproduction; that some leeway be left in planning, and so forth. Recently, it was again proposed that since China has a population of 1 billion including 800 million peasants, an overall balance should be based on the country's basic situation. These successful experiences have enriched the Marxist theory of overall balance.

Many comrades pointed out that from the "Great Leap Forward" in the 1950's to the hasty advances in 1978, there were "leftist" errors in the guiding thought for overall balance. "Leftism," they believed, was manifested mainly in high targets, high accumulations, low efficiency and low consumption; in the stress on high speed and on the neglect of ratios; the stress on capital construction and neglect of production; the stress on production and the neglect of livelihood; and the stress on production and the neglect of circulation. In addition, there were the errors of stressing the importance of balance between different sectors and neglecting the balance between regions. The comrades held that the prerequisite for a good overall balance lies in eliminating "leftist" errors and setting right the guiding thought for overall balance.

3. Starting Points for Correctly Handling the Overall Balance

How shall we begin in working out an overall balance? There were generally several methods and views: First, the method of the first five-year plan, when the overall balance was worked out with 156 projects as the central task and with special emphasis on heavy industry. Although there were certain shortcomings under the conditions then existing, there was no major blunder. Secondly, the method used in the second five-year plan, whereby the overall balance was based on the possible increase of the national income and the overall planning and arrangements for the ratio between accumulation and consumption. It was fairly practical and stable, but was unfortunately swept away by the "Great Leap Forward." Thirdly, the method of overall balance based on the priority order of agriculture, light industry and heavy industry. It was successfully carried out during the period of readjustment in the 1960's. Fourthly, the method of planning carried out with certain heavy industrial projects, particularly "taking steel as the key link," as the core. The same method was used in the last 3 years of the second five-year plan and in the third, fourth and fifth five-year plan. They were harmful to the overall balance and produced serious consequences. Fifthly, the method of overall balance is based on the final product or the satisfaction of people's need for consumption. Sixthly, the method of beginning with the national income as the leading factors in the overall situation. The latter two methods were proposed in the academic circles and should be carefully explored. As to which method should be better and more practical, further study is required.

4. Need for Medium- and Long-Range Scientific and Stable Plans

Many comrades pointed out that for many years, there have not been any unified medium- and long-range plans which include social economic development and scientific and technological development, thus resulting in the lack of control over annual planning and

difficulty in working out an overall balance. Readjustment is the urgent task of the moment, but still, we cannot afford to be without any foresight, and long-range plans should still be carefully handled.

5. Need for a Higher Scientific Level in Working Out Overall Balance

Many comrades mentioned that since the present methods of working out overall balance are inherited from the 1950's some urgent reform is necessary. They pointed out the need to perfect the system of setting targets, strengthening statistical work, paying more attention to economic forecasts, and promoting the use of economic mathematical models for inputs and outputs; and to study and experiment the methods of attaining the essential targets, including the target of final products.

How to Accomplish Over Balance With Readjustment as the Core

1. Full recognition of the Important and Arduous Nature of the Present Readjustment

Many comrades recognized that this readjustment is an important policy decision based on the summing up of our experiences in economic construction since the founding of the People's Republic. In addition to the solution of the long-standing problems of serious imbalances and the elimination of the hidden dangers, it can also emancipate our economy from the shackles of the "leftist" thinking and then lead the overall economy onto the road of healthy development, or start it on a new road of development.

Many comrades pointed out that the present readjustment is vastly different from the readjustment undertaken in the 1960's, because the present one has the following favorable conditions: The Party Central Committee's strong determination and its resolute measures in dealing with the source of "leftism"; the relatively stronger material foundation, the improved livelihood of the people, and the general development of production; and the new vitality brought forth by the restructuring of system. Of course, they did not overlook the more complex nature of the present readjustment. The former imbalance was an "acute disease," while the present imbalance is a chronic and generally comprehensive one; it is a "comprehensive disease" or a combination of "simultaneous maladies." While the former readjustment was carried out to appease hunger and could produce profound effects among the people, the present readjustment is carried out to appease hunger and could produce profound effects among the people, the present readjustment is carried out to develop production, and with their living conditions improved, the people may not easily see the hidden danger and reach a unity of understanding. The former readjustment was carried out on mostly "minor" items which involved only small losses and can be more easily corrected, while the present, readjustment is on "major" items involving large losses and causing great difficulties. Investments in former capital construction projects could be easily reduced, but this time, control is more difficult because of the many sources of funds. During the former readjustment, energy production was on the increase; this time, there have been ups and downs in every production. Last time, some 20 million workers were transferred to the countryside, but this time, new jobs have to be created for them. All this shows the more arduous and complex nature of the present readjustment.

2. How to Proceed with the Readjustment?

Some comrades pointed out that the present problem is that "capital construction is exerting pressure on finance which in turn exerts pressure on the bank. The bank can

only increase the issuance of currency," thus causing the financial deficits and the rising prices. Therefore, the key to readjustment lies in the cutback on capital construction investments. Other comrades held that the present problem is attributed to five uncontrollable factors, namely the uncontrollable capital construction investments, consumption, financial deficit, currency issuance and commodity prices. The former two are the basic ones and the latter three are derivatives, and the crux of the problem lies in the general increase in the requirements of investment and consumption. Therefore, it is necessary to curb these requirements by not only reducing the scope of capital construction but also resolutely restricting consumption (mainly the indiscriminate payment of bonuses and welfare subsidies.)

What should be done in the readjustment of the makeup of products? Some held that since agriculture is the key factor, high agricultural yields will stabilize the overall situation. Others held that the key lies in light industry, and that in order to prevent financial deficits and to stabilize commodity prices, improvement in light industry will solve all problems. Still others pointed out the need for a comprehensive analysis on the coordination of priorities among different departments in the process of social production and thus to discover the crucial weak link. On this basis, it can be seen that aside from agriculture and light industry, great efforts should also be made in dealing with the outstanding weak link in the energy, building material and other sectors of heavy industry.

There was a lot of discussions and a diversity of views on the question of price readjustment. Some comrades were strongly against any price change during the period of readjustment, lest economic chaos would ensue. Others held that irrational pricing was one of the main causes of imbalance and therefore, prices should be readjusted, though not drastically.

3. How to Handle the Relationship between Readjustment and Restructuring?

Some comrades held that since readjustment is the key factor and the core, it must be accomplished before there can be any room for restructuring. Others held that imbalance is caused by the structure. Thus the greater the imbalance, the greater will be the need for restructuring. The majority of comrades held that in the long run, there should be a planned and systematic restructuring on a large-scale, and that in the present stage, however, restructuring should be subordinated to readjustment. Any restructuring serving the purpose of readjustment should be actively carried out while any that may interfere with readjustment should be temporarily withheld.

The majority of comrades were strongly in favor of the integration of planning and market regulations. However, some comrades said that there should be only one instead of two regulative roles, and that the idea of combined planning and market regulations is improper. They were in favor of using the regulative role of the market in a planned way, or in other words, the use of market regulation under the guidance of planning. Still others pointed out that while the over-rigid planning in the past was improper, overstressing the regulative role of the market, as though the regulative role of planning is entirely worthless and has been the cause of all problems, is equally wrong. It is impossible to solve any problem, they maintained, by imputing the mistakes in planning to a planned economy and by relying on the regulative role of the market to provide the remedy.

How to Correctly Handle the Relationship between Regional Superiority and a National Overall Balance?

1. How to Bring into Play Regional Economic Superiority?

Some comrades held that regional superiority is not a regional, but rather a national concept. Regional superiority can be clearly expressed only in the context of the entire national economy. For example, if Henan produces good tobacco and Shanghai manufactures good cigarettes, only the combination of Henan and Shanghai can constitute any genuine superiority at all. Other comrades held that the so-called superiority refers to the superior conditions of a region in various aspects of the entire national economy, and that these conditions can be organically combined and rationally utilized in achieving greater economic results. Still other comrades pointed out that a comparison of cost prices should be the criterion for measuring and determining regional superiority.

Many comrades endorsed the policy of giving play to superiority. Some of them said that there is now an urgent need to give a scientific exposition of this correct policy.

2. How to Maintain a Good Regional Balance?

Many comrades believed that a national balance can guide and regulate regional balances, but cannot replace them. Regional balances, they maintained, are the foundation of the national balance. Other comrades, however, held that some main proportionate relationships in regional economy should be subordinated to a unified national arrangement, and that since the problems with the economic structure or the system of agriculture, light industry and heavy industry do not exist in regions, regional balances are therefore unnecessary and unpracticable.

Some comrades pointed out that compared with the national balance, a regional balance has many special features of its own: First, because of the inward and outward transfer of materials and the exchange of commodities, regions cannot become independent systems of self-sufficiency. Secondly, in trying to maintain regional balances, we have to consider the fact that because of the need to hand over funds to the state and also to allocate funds to the lower levels, the amounts of income and expenditure in a region cannot be identical. Thirdly, in maintaining regional balances, the horizontal economic relations among different regions as well as inside each region should include more extensive social economic activities as well as various specific activities relating to people's livelihood.

To set up good regional balances, many comrades proposed that the state should give specific and definite instructions on the orientations of development and the focus of development; set rational targets for the amounts to be handed over to the state and to be retained, and for commodities to be transferred in and out of the regions; restructure the economic management system and expand local decision-making power in working out their own balances; and set realistic targets with some leeways for the regions.

ECONOMIC PLANNING

ECOLOGICAL BALANCE, EXPLOITATION OF NATURAL RESOURCES DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 12, 1980 pp 52-57

[Article by Wang Songpei [3769 2646 7198] of the Economic Research Institute of the Chinese Academy of Sciences: "Exploitation of Natural Resources and the Ecological Balance in the Xishuangbanna Area")]

[Text] Xishuangbanna, located in southern Yunnan, is well-known in our country as a precious tropical land. It is a mountainous region with mountains occupying 90 percent of the total land surface in the autonomous prefecture. Because of the abundance of natural resources, it has long been called "the plant empire" and "the animal empire." Its location in the tropical zone accounts for its hot weather, abundant rainfall, high humidity with fog, and mild winds with hardly any cold weather. Its climate is that of a tropical rainy forest, suitable for the growth of rubber and other tropical plants and having great natural and economic potentials. Agricultural economy in Xishuangbanna has undergone great developments in the past 3 decades, but the resources from tropical plants have not been rationally utilized. Once the ecological balance is upset, the natural resources will have to suffer tremendously. At present, a study on the methods of full utilization of this piece of precious land by giving full play to the strong points of its natural resources and great potentials and gaining maximum economic results as a contribution to our socialist modernization, is an important task to be carefully explored in developing our economy in tropical mountainous areas.

1. Make Good Use of Strong Points and Steer Away From Weaknesses in Developing Commodity Economy in Mountainous Areas

To fully utilize the natural resources in the Xishuangbanna's mountainous region, there should be first of all a suitable policy of economic development for mountainous areas. Natural and economic conditions in various parts of our country are highly diversified, and the principle of adapting measures to local conditions must be upheld in developing agricultural production. In the economic development of Xishuangbanna's mountainous region, we should make good use of the strong points and steer away from the weaknesses. In other words, we should develop the strong points of the rich resources of forestry in these areas which are particularly suitable for the growth of tropical economic crops and tropical trees. Thus forestry should be the key link in a forestry-animal husbandry-agriculture combination.

The principle of taking forestry as the key link in Xishuangbanna is based on natural and economic considerations. For many years, the luxurious growth of tropical trees has formed a unique ecological system of tropical forests. The trees continue to grow after repeated felling and have provided huge quantities of rubber, tea, shellac and various types of wood-oil, spices, medicinal herbs, tropical fruits and other tropical forest products for economic construction and the people's livelihood. At the same time, as demanded by the ecological balance, Xishuangbanna has for many years practiced a division of work between the mountainous areas and the plains according to their natural characteristics. In the plains, the Dai people planted grain as their main occupation; in the mountains, the Hani, Jinuo, Bulang, Wa and Iao fraternal people were engaged in diversified economy, including tropical economic crops, and obtained grain and other daily necessities through commodity exchange with the people in the plains. They form a generally rational pattern of production and commodity economy. Marx said: "The economic process of reproduction, whatever may be its specific social character, always becomes intertwined in this sphere (agriculture) with a natural process of reproduction." (Marx: "Das Kapital" Vol. 2, People's Publishing House, 1975, pp 398-399). Agricultural production is governed by both economic and natural laws. An economic pattern can be rational only when it meets the requirements of the ecological balance. This economic pattern was for a long time followed in Xishuangbanna in the past. The mountainous areas supplied large quantities of tea, shellac and other forest products for people in the plains, while the plains, with about 100,000 people farming some 450,000 mu of rice, were called the "granary of southern Yunnan" since they were more than self-sufficient in grain. These people supplied what was needed in the mountains and yet had no problem with their own food. Yet this division of work between the mountains and the plains was a very primitive one. To truly develop the strong points of production in Xishuangbanna, we should have a full understanding of the natural and economic characteristics in the mountains and plains and use them to full advantage in order to vigorously develop the commodity economy of this area.

Unfortunately, such was not the case in the past 30 years. The strong points of forestry products in the mountains of Xishuangbanna, far from being developed, have been severely damaged. Along with the rapid growth of population (including the natural growth of population and mechanization), and the greater demand for grain, even the mountainous areas have to "take grain as the key link" and to expand grain crops in striving for self-sufficiency. What this actually emphasizes is not the development of commodity economy, but the kind of natural economy based on self-sufficiency; and what is given prominence is not the strong points of the tropic crops of forestry, but the weaknesses of growing grain crops. Thus the historical economic pattern in Xishuangbanna, whereby "grain is the key link in the plains and the economic forest tree is the key link in the mountains" according to both natural and economic laws, and characterized by the interdependence between grain and forest trees, has been completely changed. Xishuangbanna is the area of fraternal nationalities. The level of productive forces is still very low, and in many localities, slash-and-burn cultivation is the common practice. The output per unit area is also very low. To achieve self-sufficiency in grain, the people are forced to expand their primitive farmland and to reclaim land through large-scale destruction of the forests. The forests of Xishuangbanna have suffered severely since the early post-liberation period. According to the estimates after

investigation by the departments concerned, two-thirds of the forests have been destroyed in land reclamation, and the destruction is still continuing unabated.

The forest is a very important part of the ecological system. When there are internal or external disturbances to any ecological system, there is also a certain mechanism to prevent the disturbances from destroying its stability and to maintain the normal growth and propagation of living things. Yet the function of such mechanism is limited, and any excess over the limit will destroy the normal function of this system or even lead to its collapse. Since Xishuangbanna is located in the tropical zone with a favorable climate, the forest trees have strong regenerative power even after being felled. Unfortunately, in many places, the severe destruction of the forest in land reclamation has already exceeded the limit with the result that the special forest products of the mountainous areas have been greatly reduced. For example, before the 10 years of turmoil, Jinghong County was one of the three main shellac producing counties in Simao Prefecture, with an annual output of 150,000-200,000 jin, approaching that of Mojiang County, the largest shellac producing center. Because of the destruction of forest for growing grain as the single crop, shellac output has sharply declined in recent years, and its annual output is now below 100,000 jin. Furthermore, the large-scale destruction of forest in land reclamation has also destroyed the conditions for agricultural production, such as water, soil and climate, resulting in slow grain production.

Insufficient grain is now a big problem for our country as well as for the Xishuangbanna area, and this problem must be taken seriously. In Xishuangbanna, the precious land of tropical economic crops, should we continue to "take grain as the key link," produce only grain by continuing to destroy forests and the ecological balance in land reclamation, or should we vigorously develop the strong points of the resources in the mountains of Xishuangbanna, such as tropical economic forest trees, and preserve the ecological balance? The choice between the two is quite logically obvious. Even now, in developing the economy in the mountainous areas of Xishuangbanna, many comrades still favor "developing multiple undertakings in forestry and animal husbandry provided self-sufficiency in grain is insured." However, practice has already proved that it was exactly the one-sided stress on "taking grain as the key link" and the insistence on self-sufficiency in grain that has brought about the destruction of the ecological balance and the forest resources instead of bringing into play the economic strong points in Xishuangbanna. Marx said: "The more the division increases, the more does the parcel of land with its utterly wretched inventory form the entire capital of the small allotment peasant, the more does investment of capital in the land diminish, the more does the cotter lack land, money and education for making use of the progress in agronomy, and the more does the cultivation of the soil retrogress." (Marx: "The Class Struggles in France 1848 to 1859," "Selected Works of Marx and Engels" Vol 1, p 472). Because of the low level of productive forces in small-scale farming, people can only take advantage of the natural forces instead of harnessing them. Under the influence of this small-scale farming mentality, people have also been inured to slash-and-burn cultivation and the predatory nature of destroying forests in opening up small plots of land. They cannot see the absurdity of such actions from the standpoint of modern large-scale farming. Small-scale farming also means self-sufficient natural economy, under the influence of which people are reacting to the call for "taking grain as the key link" and achieving self-sufficiency in grain with natural ease. Under socialism, there should be a planned economy as well as a commodity economy.

Specialization, socialization and commercialization are the orientations of economic development for agriculture in our country and in the mountainous areas of Xishuangbanna. To bring into play the economic strong points of this place, we must actively overcome the influence of small-scale farming economy, make full use of the precious resources in the economic forest trees of tropical mountains, and energetically promote the exchange of commodities between the mountains and the plains, and between Xishuangbanna and the other areas, in order to enliven its agricultural economy on the basis of specialized and socialized development of a commodity economy.

The problem of food is a real one in the present economic development of Xishuangbanna, and this problem deserves serious attention. However, in solving this problem, we should not develop natural economy by negating commodity economy and destroying the ecological balance, or by abandoning the strong points of economic forest trees in the tropical mountains in order to develop grain production which is itself a weakness. Instead, we must form a guiding ideology of maintaining the ecological balance and developing a commodity economy. In this way, the problem of food for Xishuangbanna will be solved.

First of all, it has potentials for production. At present, the slash-and-burn method is still being used in many places for cultivation and the production level is very low. According to investigations by units concerned, rice grown with the slash-and-burn method, which involves the destruction of forests, can yield an average per-mu output of 270 jin in the first year, 130 jin in the second year, 100 jin or slightly more in the third year, and only 10 jin in the fourth year. Generally, the farmland has to be abandoned after 3 years. Thus the people have to carry on their farming like nomads, causing large-scale destruction of forests and the ecological balance. One of the methods to change this situation is the development of productive forces in agriculture. We have to select suitable land in the mountains for farming in order to raise the grain output per unit area through intensive planting. Thus instead of a poor harvest from extensive farming, we will have high outputs from intensive farming. There are great potentials for increased output because of the favorable temperature in Xishuangbanna. Farmland is also part of the ecological system. As long as we try hard to popularize the techniques of increasing output and to promote scientific farming, we will be able to create better ecological conditions for the growth of agricultural crops and then double, or redouble the grain output.

Furthermore, there are also potentials in consumption. The present per capita grain ration of 700 kilograms cannot be considered low. However, people of the fraternal nationalities do not plant vegetables or make bean curd. Although they hardly use any oil for food throughout the year, they have to brew wine. That is why their grain consumption is so high. The low level of productive forces in agriculture accounts for the lack of variety in their diet. When the composition of their diet changes along with the development of productive forces, their grain consumption will be gradually reduced.

At the same time, we have the superiority of the socialist system and a planned economy. To readjust the ecological balance in Xishuangbanna and to develop its strong points in the production of tropical crops, the policy of overall planning and all-round arrangement on a nationwide scale can be used as a temporary measure for solving the food problem in Xishuangbanna. To give play to the strong points

of tropical crops in Hainan Island, the State Council has recently decided that beginning from 1981, an annual grain subsidy of 450 million jin from the central government and Guangdong Province will be granted, on the understanding that this arrangement will remain unchanged for 5 years, so that Hainan Island will be free to develop, with full vigor, the production of rubber, coconuts, coffee, cocoa, pepper, medical herbs of the south, spices and other tropical crops of high economic value and the precious forest trees. The same method can be used for the Xishuangbanna area.

2. Plant Rubber Trees in a Planned and Proportionate Way After Ascertaining the Appropriate Extent of Exploitation and Utilization

For the full utilization of the natural resources in Xishuangbanna, there is not only the problem of orientation of exploitation and utilization, but also the problem of to what extent these resources can be exploited and utilized.

To exploit and utilize the tropical natural resources in Xishuangbanna, we should first develop rubber production. For some time, however, there have been heated disputes between the theorists and the practical production departments on the scope and speed of developing rubber production. Should we plant more rubber trees in order to provide the urgently needed materials for the country's four modernizations, or should we preserve the previously few resources of tropical forests?

As a matter of fact, there is no contradiction between preservation and utilization. The purpose of preservation is utilization; the former is the foundation of the latter, while the latter is the object of the former. However, preservation should be strengthened in utilization, because we can have better utilization for a long time only on the basis of well-preserved natural resources. Yet there is actually contradiction between the two. If they are not reconciled, strong points will become weak points. To determine a rational reconciliation between the two, there exists the objective question of how far to go in the way of exploitation and utilization. According to the long experiences of growing rubbers trees in the Xishuangbanna area, the determinant factor in this question is the preservation of the ecological balance in the tropical forests.

Agricultural production, in its natural essence, means the unity of the elements of living beings and the elements of environment. At a certain temperature, the forest will absorb water and nutrient from the soil and convert them into energy to insure its own growth. At the same time, the products and the fallen leaves and branches will directly or indirectly be converted through the process of microorganic decomposition into nutrient which will return to the soil to be absorbed again. This material transformation constantly takes place between the forest and its environment (including water, soil, air, heat and so forth), and certain ecological balance exists between them. If the ecological balance is preserved, forest trees will flourish; if the ecological balance is upset, the growth of forest trees will be retarded and these trees may even fail to survive.

However, agricultural production is also a form of economic reproduction, and people have to develop various types of production to satisfy the needs of economic construction and people's livelihood. People must adapt themselves to nature, but can also transform nature. They can destroy the old conditions for production, and

thus destroy an old ecological balance; at the same time, they can create new conditions for production and bring about a new ecological balance. Facts have proved that great success has been achieved in land reclamation for rubber production. At present, some 500,000 mu has been planted with rubber trees which have contributed a great deal to our economy as well as national defense by providing a certain amount of natural rubber. The reclamation of land for planting rubber trees has been quite rational and the distribution of these plots has also been appropriate. The ecological balance has been preserved and the production and reproduction of rubber have presented a spectacle of fast growing prosperity.

However, the expansion of a single ecological system cannot be without limit. In a biological communal structure, a stable relationship is formed between a certain number of biological beings and their environment. If the number of these beings is excessive, this stable relationship will be disturbed, and such disturbance may even lead to the collapse of the whole system.

In the interrelationships of mother nature, an ecological system of any type has to rely on certain conditions for existence. The growth of rubber requires a certain amount of warmth and moisture, and the abundant moisture and warmth in the vast tropical rainy forest of Xishuangbanna is one of the important conditions for the growth of rubber trees.

The land used for Xishuangbanna's rubber plantation has been partly reclaimed from tropical forests. Here rubber planting means the destruction of tropical forests. Rubber is an urgently needed material for our economic construction and national defense and the necessity of its development in Xishuangbanna is beyond question. But we should be cautious with the development. It must be kept within the rational limits and predicated on the condition that the climatic conditions of the tropical rainy forest must not be disturbed; otherwise, the environmental conditions required for the growth of rubber itself will also be destroyed and the development of rubber production will be out of the question. In the course of planting rubber trees in Xishuangbanna in the past, we made many mistakes in our work because of our inadequate knowledge of the natural and economic laws of ecological balance in the forest system. For example, we reclaimed a lot of land and grew only little rubber trees. We did not quite understand the "three-dimension weather" in Yunnan's mountainous regions and chose the plots at the wrong elevations, that is, the high elevations which are unsuitable for rubber trees. Again, in the one-sided quest for high output with an irrational composition of the strains used, many trees died of coldness, leaving the forest land wasted. All these mistakes produced destructive effects on the tropical forests of Xishuangbanna.

At present, the serious destruction of the tropical forests in Xishuangbanna is first of all caused by the opening up of forest land for cultivation, and it is our common responsibility to prevent this type of destruction. As for the growing of rubber trees, more than 1 million mu has already been allotted for this purpose, and a fairly large part of this land has not been put to good use. This has further intensified the damage to the forests in Xishuangbanna. The tropical forests here have taken ages to become what they are. Once destroyed, they can never be recovered. Furthermore, since they are located in the northern fringe of the tropical forest region, the condition of ecological environment here is very delicate and calls for particular care in its preservation on our part. For many years, because

of the brutal devastation of the forest areas, there is now a marked tendency toward higher temperature, reduced rainfall, and less foggy days. This moist zone is now in danger of becoming a dry zone. Should such an eventuality ever arise, the original forest ecological balance will be destroyed and rubber trees will not be able to grow in Xishuangbanna any more. The value of this precious land will be greatly diminished. We must develop rubber production by exploiting and utilizing the strong points of natural resources in Xishuangbanna and to implement the policy of adapting measures to local conditions. Similarly, in implementing the same policy, we must firmly adhere to the principle of "preservation first" in view of the already serious damage to the ecological balance in these tropical forests. At the same time, opening up land for rubber production cannot be overdone or over-hasty. The urgent task of the moment is to preserve and then improve the resources of the tropical forests which have been severely damaged and are on the brink of extinction. First, we should endeavor to make full use of the land already opened up and considered suitable for rubber production. We should strive to raise the rubber output per unit area and then further expand the plantation. In this way, we will be able to permanently preserve the ecological balance of tropical cash crops and make better use of the strong points in Xishuangbanna's natural resources.

One related question is whether the development of rubber production should be permanently and exclusively undertaken by the state, or, provided the predominance of the state sector is guaranteed, the people's communes should also join in the undertaking. Until this question is settled, there will still be adverse effects on the ecological balance and the economic results of exploitation and utilization.

The state sector and the collective sector of agricultural economy are inseparable components in our socialist agricultural economy, and their basic interests are identical. Yet each has its own characteristics: First, state farms embody advanced productive forces, including their advanced technology in planting and advanced equipment in processing rubber. With the larger capital funds at their disposal and under more efficient management, they are in a position to carry out modern large-scale planting. The people's communes, with their limited funds and lower level of technology and management, can only take care of small plots. Secondly, while state farms enjoy the superiority of funds and equipment, the people's communes are in possession of more land, forest resources and labor power. In the past, when we stressed the exclusive undertaking of state farms, we usually built farms after a mass transfer of manpower from various places for opening up large areas, while the small plots suitable for rubber plantation were not fully utilized. This greatly added to the burden of the state in the supply of marketable grain and intensified the destruction of the tropical forests to a certain extent. This method cannot help in the preservation of the ecological balance. Under our socialist system, we can work out a unified plan for combining the forces of the state and the collective sector of economy under qualified leadership. Then based on a coordination of the essential elements of productive forces and a division of work according to different scopes of exploitation, each side can bring to bear their strong points and steer away from their weaknesses. Thus the initiative from both the state and the collective sector of economy can be mobilized on the basis of harmonious unity of economic interests. In this way, we can produce more rubber, destroy less forests, preserve the ecological balance and help in the further development of rubber production.

3. Preserve the Resources of Tropical Forestry for Comprehensive and Long-Term Utilization

In exploiting and utilizing the natural resources in this area, as proved by the practice of production and construction in Xishuangbanna in the past 30 years, we must correctly handle the relationship between comprehensive utilization and unrelated or one-sided utilization.

Great success has been achieved in exploitation and construction in Xishuangbanna in the past 30 years, but on the other hand, tropic forest resources have been severely damaged. Since liberation, the forest area has been reduced by 8 million mu, and the speed of felling has surpassed the regenerative power of the forests. The areas of barren mountains, grassland and shrubs have expanded, while the forest cover has been reduced from 96.4 percent in the early post-liberation period to 30 percent. Furthermore, the destruction is still gathering momentum.

The rapid destruction of Xishuangbanna's forests has had serious consequences on the ecological balance. First, there is serious soil erosion. In many places, the mountains have become denuded of trees, the water is impure and the organic substance of the soil has been greatly reduced. According to investigations by the units concerned, the organic substance of soil in the tropical forests is now 3-6 percent, and, after the destruction, only 2-3 percent of bush and grassland is left. Furthermore, "when the mountain becomes barren as a result of wanton felling, disaster will befall the plains." Soil erosion will bring silt to the reservoirs. The designed capacity of Manman Reservoir in Menghai County was originally 17 million cubic meters; by now, the actual capacity is only about 9 million cubic meters. According to the design, the silt accumulated in 100 years should not be above the sluiceway level; but it was already above this level in only 5 years. Mountain torrents have also wrought havoc to production and people's lives. Secondly, the destruction of forests has also been the cause of drought, and in some places, the early rice has withered because of the lack of water; in other places, people are only hoping for rain to save their crops. Some hydropower stations, unable to generate any power because of the lack of water, have been forced to suspend operation. According to estimates by the departments concerned, the amount of underground water of 7 mu of a denuded mountain is less than that of 1 mu of forest land. Failure to preserve the forest means failure to preserve the water source, or to guarantee irrigation and hydropower generation. Thirdly, the destruction of forests has brought about climatic changes as well. Shortly after liberation Xishuangbanna had abundant forest cover and rainfall. There were then hardly any water conservation facilities, and yet the 450,000 mu of rice paddy could to a certain extent depend on the "green reservoir" as a supplement to the rainfall for the transplantation of seedlings. Since the destruction of the forests, rainfall has been reduced, and the drought season has become longer, while storms, insect pests and other natural disasters have intensified. Even now, the destruction of Xishuangbanna's forests is still going on unabated, and the ecological system has become a serious vicious cycle. People throughout the country are now concerned for this precious land, and "Save Xishuangbanna" has become a widespread outcry.

In view of the serious damage actually done to the forests of Xishuangbanna, we must pay foremost attention to their preservation and gradually exploit and utilize them

on the basis of preservation. The significance of preservation does not lie only in the preservation of forest production, but also in the conditions for the preservation of our natural rubber plantation. In addition to providing a suitable ecological environment for agricultural and other productions, it protects different species and maintains the natural landscape of tropical forests. Xishuangbanna was not directly affected by the glaciers of the 4th century, and because of its location in the junction of several botanic zones, many precious species are still preserved here. This is a rare treasure-house of biological genetics of great economic as well as scientific research value. Xishuangbanna's forests were originally full of rare animals, such as Asian elephants, Indian bulls, green peacocks, long-arm monkeys, hornbills, golden crows and so forth. Along with the destruction of the tropical forests, the number of these animals has been sharply reduced. Some of them have been driven out of their own domains and others have almost become extinct. All these are priceless treasures which mother nature has bestowed on human beings, and once they are lost, they will be gone forever. That is why many countries in the world have proposed that the tropical forests be preserved.

To strengthen the preservation of the forest resources in Xishuangbanna, we should proceed from the present realities and give serious consideration to the following three aspects:

First, keep in mind the idea of comprehensive and long-term utilization on the basis of an ecological balance. Because of the need for a harmonious balance between biological beings and various environmental elements, their interdependence has resulted in a natural ecological balance. Irrational and one-sided utilization by any single element may lead to the destruction of the entire ecological system. Therefore, we should take a comprehensive view of exploitation and utilization. At the same time, the ecological balance means a continuous cycle of substance and energy which must be maintained in order that the natural and economic regenerative process will not be interrupted. Therefore, we must take a long-range view of exploitation and utilization. The one-sided stress on "taking grain as the key link" and the wanton felling of trees by people from nearby or far away places has brought large-scale destruction of the forests and disturbed the harmonious balance between the essential ecological elements. Excessive reclamation and cultivation of wasteland will also affect the recycling of substance and energy in the ecological system of the tropical forests and destroy the resources.

Second, establish a new ecological balance in order to preserve the original ecological balance. Xishuangbanna is short of energy resources and has to depend on the burning of firewood in production and daily living. This is also the cause of large-scale destruction of forests. We should preserve the ecological balance in real economic life instead of the laboratory. Therefore, we must solve real problems first before preserving the ecological balance; otherwise, there can only be empty talk. The Dai people in Xishuangbanna have had some very ingenious ways of solving the energy problem. They planted ferreous meusa trees everywhere as an abundant source of firewood, and thus protected the resources of tropical forests and the ecological balance from being destroyed. Their method should serve as an important lesson for us.

Third, requirements of the ecological balance to be considered in implementing economic policies. It is quite necessary to apply flexible economic policies for

the fraternal nationalities in the frontier regions of Yunnan by expanding the private plots and setting up output quotas for households. However, unless there is a tight control, a single peasant household may open up 40-50 mu of forest land. The formulation and implementation of economic policies should be based on both natural and economic laws. The objectives of flexible economic policies and the preservation of the ecological balance are identical. They are based on the relationships among people as well as between people and nature, and their common purpose is the utilization of natural resources in a more rational way. In implementing economic policies, we should also consider the requirements for preserving the ecological balance. Letting things drift along will not help in the correct implementation of policies, and will ultimately handicap the rational exploitation and utilization of natural resources in Xishuangbanna.

Xishuangbanna enjoys tremendous advantages in natural resources. But these are only potential advantages, providing us the strong possibility of exploitation and utilization. The conversion of this possibility into reality will call for a great deal of work on our part, including the adoption of strong measures to protect the ecological balance. Only on such a basis can we turn the strong points of natural resources into strong points of production, and the possible results of natural resources into actual economic results in Xishuangbanna, and thus contribute more to the four modernizations.

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FINANCE AND BANKING

TEXT OF DECENTRALIZED FINANCIAL REGULATIONS PUBLISHED

Beijing CAIZHENG [FINANCE] in Chinese No 12, Dec 80 pp 1-2

[Article: "The Temporary Provisions for Carrying Out a Financial Management System of 'Apportioning Revenues and Expenditures Between the Central and Local Authorities, While Holding the Latter Responsible for Their Own Profit and Loss'"]

[Text] In order to implement the policy of "readjustment, restructuring, consolidation and improvement" and bring into full play the initiative of both the center and the localities so as to meet the needs of the four modernizations, the State Council resolved, beginning in 1980, to carry out a financial management system of "apportioning revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profit and loss," also normally known as the system where "each eats from his own stove," and it issued circulars and the "Temporary Provisions for Carrying Out a Financial Management System of 'Apportioning Revenues and Expenditures Between the Central and Local Authorities, While Holding the Latter Responsible for their Own Profit and Loss" in February of this year. After nearly a year in practice, the new financial management system has achieved some remarkable results in the areas of bringing into play the activism and initiative of the various departments and districts; strengthening the leadership of Party and government at all levels over financial work; and promoting the increase of production with economy and increases in revenue while saving on expenditures. This proves that the direction is correct.

The apportionment of revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profit and loss is a major restructuring of the state's financial management system. It involves not only the readjustment and improvement of the structure of financial revenue and expenditure, the

delineation of financial rights and the distribution of financial resources but that of the management systems in areas such as planning, capital construction, materials, enterprises and facilities as well. Conscientiously carrying out this restructuring work has great significance for promoting the development of the national economy and gradually realizing the four modernizations. Each district and department must act according to the demands of the State Council and further strengthen their leadership, correctly handle the relationships between the whole and the part and between line and area, find out about conditions promptly, sum up experiences, study how to resolve new problems and do the work of restructuring the financial management system even better. For this purpose, this issue of our journal is publishing "The Temporary Provisions for Carrying Out a Financial Management System of 'Apportioning Revenues and Expenditures Between the Central and Local Authorities, While Holding the Latter Responsible for Their Own Profit and Loss,' together with several articles on carrying out the new financial system. We hope that everyone will work together to carry out investigation and study and sum up experiences so as step-by-step to further improve the new financial system.

In order to implement the policy of "readjustment, restructuring, consolidation and improvement" and meet the needs of gradually realizing the four modernizations, beginning in 1980, the state will implement a financial management system with the provinces, municipalities and autonomous regions of "apportioning revenues and expenditures, while holding the local authorities responsible for their own profit and loss." The fundamental principle of this is as follows: under the precondition of strengthening the unified leadership and unified plan of the central authorities and ensuring the essential expenditures of the central authorities, to clearly delineate the financial rights and responsibilities of each level, so as to join rights and responsibilities so that each carries out his own work and bears his own responsibility and thoroughly bring into play the activism of both center and localities.

One. Clearly delineate the scope of central and local financial revenue and expenditure in accordance with the relations of subordination stipulated by the system of economic management.

Revenue: Income of enterprises belonging to the central authorities, customs revenue and other income of the central authorities are central finance and are fixed revenue of central finance. Income of enterprises belonging to the local authorities, the salt tax, taxes on agriculture and animal husbandry, industrial and commercial income taxes, local taxes and other income of the local authorities are local finance and are fixed revenue of local finance. With the approval of the State Council, the income of enterprises which are

assigned to central departments for their direct management shall be divided in fixed proportions, 80 percent to central finance and 20 percent to local finance. The industrial and commercial taxes are regulated income of the center and localities.

Expenditures: Capital construction investment of the central authorities; circulating funds, funds for tapping potential and making readjustments and expenditures for trial manufacture of new products of central enterprises; expenditures on geological prospecting; expenditures on national defense and preparation for war; foreign aid expenditures; outlays on state materials stores; as well as operating expenses of central-level culture, education, health and science, operating expenses in agriculture and forestry, water conservancy, weather and the like, operating expenses of industrial, communications and commercial departments and their costs of administration, etc., are to be financial expenditures of the central authorities. Capital construction investment of the local authorities; circulating funds (including those for items built by the central authorities on behalf of the localities), funds for tapping potential and making readjustments and expenditures for trial manufacture of new products of local enterprises; outlays to support the rural people's communes; operating expenses in agriculture and forestry, water conservancy, weather and the like; operating expenses of industrial, communications and commercial departments; urban maintenance expenses; expenditures on people's air defense; expenditures on transferring urban population to the countryside; operating expenses for culture, education, health and science; social welfare and relief funds; administrative costs, etc., are to be financial expenditures of the local authorities.

A small number of special-purpose outlays, such as relief funds for especially large natural disasters, subsidies for fighting especially large droughts or floods, development funds to aid economically undeveloped districts and the like are appropriated by the central authorities on a case-by-case basis, and are not included within the scope of financial responsibility of the local authorities.

Two. The numerical base for the financial revenues and expenditures for which the local authorities are responsible shall be calculated and determined after appropriate adjustments are made on the basis of the estimated implementing figures for the 1979 financial revenues and expenditures, in light of the above delineation of scope for revenues and expenditures. In any district where the local income exceeds outlays, the surplus portion shall be turned over to higher authorities according to a fixed proportion. In districts where expenditures exceed income, the insufficient portion shall be retained by the localities from the industrial and commercial taxes according to a fixed proportion, and serve as regulated income. In some districts where all of the industrial and commercial taxes are retained by the locality and expenditures still exceed income, the insufficient portion shall be provided as a fixed subsidy from central finances. Once a proportion or amount of subsidy has been determined, it should in principle remain unchanged for 5 years. If a locality receives more income than it may increase its outlays.

In the process of implementing the "apportionment of revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profit and loss," the proportional shares or amounts of subsidy should be readjusted appropriately or the center should settle accounts independently with the localities if there is a change in the subordinate relationships of enterprises or facilities, if a large enterprise which has newly gone into operation is transferred downward to a locality for management, or if new taxes are levied, and if there is a large impact on central and local revenues and expenditures. In accordance with the resolutions of the central authorities and other economic measures which they adopt, including readjusting prices, increasing the wages of staff and workers, readjusting the tax rates and reducing taxes, with the exception of those matters which have other stipulations, the proportions and subsidies should not be further readjusted. If a locality meets with especially large natural disasters which it is unable to resist, the center will provide assistance at its discretion.

Three. In order to help border districts, autonomous localities of national minorities, old revolutionary bases and districts with an inadequate economic base to speed up the development of their production, central finance, in keeping with the financial capability of the state, has set up a development fund for supporting economically undeveloped districts. The proportion of this fund in total state expenditures should gradually increase to two percent. The Ministry of Finance should handle its distribution and make appropriations on a case-by-case basis, making use of the fund in key areas.

Four. The minority autonomous regions still implement the financial management system for minority autonomous areas and retain the original special stipulations made for finance in national minority autonomous districts. However, the subsidy of the central authorities over the minority autonomous districts is changed from being set once a year to once every 3 years, to implement the method of local responsibility for profit and loss. All of any increase in income within 3 years is to remain with the locality. At the same time, in consideration of the needs of the minority autonomous districts for developing production, construction, cultural and educational undertakings, the central subsidy to the minority autonomous regions will be increased by 10 percent per annum.

Five. With the restructuring of the financial management system, each province, municipality and autonomous region should act in accordance with the policies and unified plan of the state and do the overall planning and arrangements for its own production and construction activities and financial expenditures. In arranging their budgets, the localities must be very cautious, act according to their capabilities and maintain the principle of a financial balance with a slight surplus. They may not draw up budgets which are in the red, they may not eat next year's food, they may not issue local government bonds and they may not engage in equalization and transfer to apportion expenses. The local financial budget is to be formulated by

the locality and, after examination and approval by the Ministry of Finance, is to be reported to the State Council for examination and approval.

The departments in charge of enterprises and facilities of the central authorities should no longer rechannel the arrangement of expenditures for those facilities which should be arranged by the localities, and they should no longer allocate financial expenditure targets to the localities. However, the central departments should still put forth guiding policies and a direction for work, formulate specific policies and measures, check up on economic results and help the localities carry out things well. Each province, municipality and autonomous region should take the whole situation into account and heed the opinions of the various departments. Arrangements must be made in the local budgets for outlays which are already the responsibility of the localities and which involve service to nationwide or regional production or construction activities. The localities must guarantee the completion of transfers of materials and commodities determined by the state.

Six. In implementing the budget, whether central or local, all should hold to the principles of income being according to policy, expenditures being according to the budget and supplements being done according to procedures. All income which should be included in the budget must be included in the budget. For any major nationwide matter, such as the tax revenue system, price policy, the issuance of public debt, standards for wages and bonuses, the scope of enterprise costs and expenditures and the proportion withheld for special purpose funds as well as the standards for important expenditures, all districts and departments must carry out the unified national stipulations, and may not make any changes without approval. Financial discipline must be strictly upheld. It is strictly forbidden to exceed the limits of authority stipulated by the state and willfully reduce tax revenue or squeeze out state financial income. Each district and department must strive to increase production, practice strict economy, increase revenues and save on expenditures and guarantee the completion of the stipulated financial revenue and expenditure tasks, so as to make greater contributions to the state.

Seven. The nature of the financial management system carried out by a province, municipality or autonomous region with respect to its own xian and municipalities is to be determined independently by that province, municipality or autonomous region according to the spirit of these regulations.

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FINANCE AND BANKING

FINANCE JOURNAL DISCUSSES NEW DECENTRALIZED FINANCE SYSTEM

Beijing CAIZHENG [FINANCE] in Chinese No 12, Dec 80 pp 3-5

[Article by Commentator: "Carry out the Method of 'Apportioning Revenues and Expenditures Between the Central and Local Authorities, While Holding the Latter Responsible for Their Own Profit and Loss' and Do a Good Job of Restructuring the System of Financial Management"]

[Text] The State Council has resolved to begin to this year to carry out a financial management system of "apportioning revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profit and loss" with respect to the provinces, municipalities and autonomous regions. This means that the central and local authorities each eat from their own pot. This is a major restructuring of the state financial management system and an important step in making financial work meet the needs of the four modernizations and in carrying out the policy of readjusting the national economy. This restructuring not only involves the readjustment and improvement of the structure of financial revenues and expenditures, the delineation of financial rights and the distribution of financial resources; it also promotes the readjustment and improvement of management systems in areas such as planning, capital construction, materials, prices, enterprises and facilities. This restructuring is a major event in China's present economic life as well as a major event in financial work. Seriously carrying out this restructuring of the financial management system will be a positive factor in mobilizing the activism in every area, enlivening the national economy and promoting the restructuring of the economic management system. This restructuring of the financial management system has broken through the past situation of centralized revenue and expenditures where "everyone ate out of the same pot." The localities have become their own masters, and each eats out of his own pot. Each gets along on his own. The financial rights of the localities have been enlarged and their responsibilities made heavier.

One

What are the advantages of implementing a system of financial management of "apportioning revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profit and loss"?

First of all, the new financial management system helps mobilize the activism of the center and localities and is beneficial to arranging and developing the national economy in a planned and balanced way. In the past, finance was throttled by excessive central unification. All matters of the localities, no matter how small, had to be arranged and solved by the center. This affected the activism and initiative of the localities. Now, with the financial rights of the localities expanded, problems in the localities can be solved on the spot with initiative. This benefits the localities in drawing up and implementing long-range programs and in developing their economies in a coordinated way.

Secondly, the new financial management system has increased the responsibility of the localities for managing their own financial matters. This is beneficial to increasing revenue and saving on expenditures and to organizing a balance in financial revenue and expenditures. In a big country like ours, each province or region governs an area of several 100,000 square kilometers and a population of several tens of millions. In the past the local governments were not their own masters in spending money. The financial resources which they themselves could allocate were quite small. It was as though the local authorities had no responsibility for managing their financial affairs. Now that the scope of revenues and expenditures has been delineated between the center and the localities, the rights and responsibilities of each has been made clear. This is beneficial to getting each locality to strengthen its management of financial matters, actively organize revenues, strictly control expenditures and make detailed calculations and refined budgeting.

Thirdly, the division of finance between levels in the new financial management system is beneficial to the readjustment of the national economy and to strengthening financial management. "Each eats out of his own pot"; that is, money and rights are separated and each bears the common responsibility. With separate pots, the fixed income of the localities is interrelated with local economic interests, each level of government is concerned about the balance relationships of various aspects of readjusting the national economy, and each does things in accordance with the policy of acting within one's capabilities. Strengthening financial management is beneficial to quickening the pace of readjustment and is beneficial to overcoming the present temporary difficulties in finance and in the economy.

Although not much time has passed since "each began to eat out of his own pot," its superiority has already become evident. It has mobilized activism, strengthened senses of responsibility and embodied flexibility. It has been greatly welcomed by each locality. In carrying out the new financial management system, we must look ahead. At present, because of the readjustment of the economy, the advantages may be a bit less and it may be a bit harder to

get along. Some comrades say that if we look at what is right in front of us there is a bit of difficulty, but if we look at the future it is bright and full of promise.

Of course, we should see with a clear head that the new financial management system has only been implemented for less than a year. Some of its advantages have not yet fully materialized, and some of its drawbacks have not yet been exposed completely. Because the difference in economic base and conditions between regions is quite large, some have already found things to their liking while others have had rather more difficulties. In general, the financial system of each eating out of his own pot is a good one, the principles and methods which it stipulates are basically correct, its advantages are obvious and its results are remarkable. Of course, our experience with it in practice needs to be continually summed up and it should be gradually improved.

Two

What are the basic contents and characteristics of the financial management system of "apportioning revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profit and loss"?

The method of each eating from his own pot is principally to resolve the relationship between the center and the localities, resolve problems of the centralized power of the center and the powers allocated to the localities, and to do a good job of distributing economic benefits between the center and the localities. This is a basic requirement of reforming the financial management system. Its basic contents may be summed up basically in the following five points:

First, stipulating the financial rights of the center and the localities has strengthened the unified leadership and unified plan of the center. With the precondition that the central authorities' expenditures must be ensured, it has suitably enlarged the financial powers of the localities within the scope allowed by the financial resources of the state. It has strengthened the financial capabilities of the localities and correspondingly increased the responsibility of the localities. At the same time, it has also stipulated the work tasks and obligations of the various leading central departments in the area of finance.

Second, it has delineated the scope of revenues and expenditures of the central and local authorities. If the fixed income of a locality increases, all the increase goes to the locality. Within the scope of local income, it is empowered to make overall planning and arrangements for the production and construction activities and financial expenditures of the local region according to the policies and unified plan of the state.

Third, the proportions of each locality's income transferred upward and retained are determined separately, as well as the amount of fixed subsidy

for districts which receive subsidies. The proportions and amounts which are so determined are not to change for 5 years in principle.

Fourthly, it has made a suitable improvement in the financial management system of minority autonomous localities. Besides preserving a consideration of the original specific features, it has increased two conditions: one is the amount of central subsidy to these districts, which will be changed from being fixed once a year to remaining unchanged for 5 years, and the localities will also be responsible for their own profits and loss; the second is that all of the increase in local income each year is to remain with the locality and that the amount of central subsidy will also increase by 10 percent per year.

Fifthly, in order to help border districts, minority autonomous districts, old revolutionary base areas and districts with relatively weak economic bases to speed up their development of production, state finance has set up a development fund for economically undeveloped districts.

The method of "apportioning revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profit and loss" is a kind of multilevel management method. Because of the limitations of the characteristics of the structure of China's socialist economy at the present stage, we momentarily do not possess the conditions for delineating completely clearly the finances of each level, although at present we may want to. This restructuring of the financial system is only an initial step and we must henceforth continue to improve it. Despite this, the new financial system has still brought a profound transformation to financial work. What are the main parts of this transformation?

First, the change from eating out of one pot to eating out of separate pots has broken down the past situation of centrally unified revenues and expenditures. Whoever manages well receives the advantages; whoever makes excessive outlays bears the responsibility. The government at each level considers the balance in financial revenue and expenditures and undertakes the task of achieving it. The former "hundred families spend money while one family does the balancing" is now "each family spends money and each tries to make things balance."

Second, the distribution of financial resources has changed from a focus on "line" to a focus on "area." In the past the various items of expenditure were in principle allocated according to line. This was called rechanneling [guikou: 2981 025] arrangement. The contradiction between need and possibilities was concentrated in the center. Now the financial powers of the localities have been enlarged and the localities may carry out overall planning and arrangements of financial expenditures and adjust surpluses and deficits.

Third, the proportions of responsibility for profit and loss and the amount of subsidy have changed from being fixed once a year to remaining unchanged for 5 years. In this way, the finances of each level have become relatively

stability. In the past whenever revenues and expenditures were appraised and decided each year, there was contention for the whole pie at the beginning of the year and contention for additional expenditures during the year. The whole year's work centered around "contending." Henceforth it will not be like that past annual wrangling over base figures and contending over targets. The center and the localities can devote all their energy to increasing production and practicing economy and upper and lower levels can strive together to do a good job of increasing output and income.

Fourth, the unity of rights over affairs and rights over finance, the unity of rights and responsibilities, the bearing of a heavy burden by everyone, all are beneficial to setting up a stable and balanced finance.

Three

The new financial management system has been carried out nearly a year and has received the concern and support of various sides. In order to implement this new financial system even better, we are raising the following matters which deserve attention:

First, we must seriously sum up the historical lessons of experience. Since the nation was founded we have experienced two downward transfers of financial rights, but we did not persist. From the present perspective, in addition to objective causes such as the major rises and falls in the economy which caused large ups and downs in revenues and expenditures, there were mainly three reasons for our lack of persistence. The first is that financial rights were transferred but not rights to do things. The two were not dovetailed. The second is that there was a one-sided stress on the downward transfer of revenues and expenditures to the neglect of the indispensable centralization in financial resources, and a one-sided stress on dispersion to the neglect of necessary centralization. The third is that when the system was changed, other rules and regulations did not keep pace, and the thinking of cadres, their work style and various aspects of their work did not keep pace. Although this restructuring of the financial management system has gone through a relatively short period of fermentation and the necessary preparatory work has been done, it is still insufficiently done. Our understanding in every aspect needs to continue to be unified, in particular with respect to the corresponding restructurings which are necessary in the management systems of areas closely related to finance such as planning, capital construction, materials, pricing, enterprises and facilities. We hope that the relevant departments of the national economy can join with the restructuring of the financial system and correspondingly readjust and improve the relevant systems and regulations in the area of the economic management system. This is an important condition which will affect the success or failure of the new financial management system.

Second, "separate pots" are not equivalent to separate families. Our state is a socialist state with a centralized unified leadership and our national economy is a socialist planned economy. In the finances of the center and the localities, central finance is dominant and its rights and resources

must be stabilized and guaranteed. The unified plan of the central authorities needs to be strengthened now and in the future. Financial rights which involve the fundamental interests of the state should be concentrated in the center. Central finance needs to further strengthen and enrich its financial resources. That which should be unified should be unified. The financial policies of the state which involve major nationwide matters such as the tax system, pricing policy, issuance of public debt, standards for wages and bonuses, the scope of enterprise costs and expenditures, and the standards for the proportion withheld for specially-designated funds and for important expenditures all must be determined in a unified manner by the central authorities and the localities cannot change them at will. These major rights are concentrated in the center. This matches the fundamental interests of the people of the entire nation and it is also a necessary condition for building socialism in a planned way. Otherwise, if policies issue forth from many doors and each does things his own way, how could the building of socialism become anything but muddled! This kind of four modernizations cannot be changed. At present it is very necessary to stress the unified leadership, unified plan and unified will of the central authorities.

We must correctly handle the relationships between the whole and the part and between the center and the localities, and advocate that the part is subordinate to the whole and that the whole considers the situation of the parts. We must be a bit more foresighted. After each began to eat from his own pot, the economic interests of the localities have become more prominent. We must prevent blindness all the way from production to construction. If we only pursue the interests in front of our noses and squeeze out the large with the small and use backward technology and equipment to supplant the advanced, there will be no way out. If those raw materials and agricultural and sideline products which should be transferred out are digested on the spot, idle capacity is created in the equipment of the major cities. This is the same as wasting the social forces of production. When we say that we must do things according to economic laws we must first stress that the state do things according to economic laws. Only if this is done can we guarantee that the localities and enterprises will act according to objective economic laws. If we only look after the small and not the large, the part and not the whole, then our entire economy, including that of the localities and the enterprises, can collapse. Therefore, right now we must pay especial attention to preventing duplicate construction and production. Although this is not something which should be within the scope of the financial system to solve, if we do not now pay attention to these problems, new disproportionalities could be created. This merits serious consideration.

Third, we must stress the localities' financial management work. Once the new financial management system was carried out, the rights of the localities increased and their responsibilities also became heavier. This increased the demands on the level of management of local finance. In particular, when the new financial system was just beginning to be implemented, everyone lacked experience. The arrangement of the local budgets must definitely be done cautiously and in light of capabilities. The principle of balancing revenues and expenditures and leaving a slight surplus must be held to. Attention

studying and readjusting the proportions in various aspects of a district's economic life. A comprehensive balance must be carried out. Localities cannot draw up budgets which are in the red and they cannot eat next year's food; still less can they apportion things according to equalization and transfer. Because of this, finance departments at all levels must pay close attention to three kinds of work. One, they must study the paths to producing finance and, with the precondition of guaranteeing the needs of the whole, promote goods in short supply and cut back on those in surplus, tap new sources of production, increase production and income in a big way and accumulate more funds for the four modernizations. Two, they must guard the pass, economize on expenditures and pay attention to optimizing the utilization of funds. Three, they must do a good job of making a comprehensive balance, arranging budgets and behaving in a cautious manner. In abundant years they must think of bad years. They must think of the small households and pay attention to leaving more in reserve. On this basis, the localities should act within their capabilities and do as much as their money allows. An urgent task at present is that we must carry out readjustment in real earnest and according to the policies of the Party and state, in close conjunction with planning and other comprehensive departments and at the same time as we enliven the economy, we must strengthen the intervention of the state in the macroeconomy to guarantee the stability of the national economy.

Fourth, we must create the conditions for an all-round restructuring of the economic management system. At present we can only say that the restructuring of the financial system has made a first step. Henceforth it must still develop and progress further. In the restructuring, we must both overcome the maladies of the original system and not set up roadblocks to restructuring the financial system in the future; we must both enlarge the jurisdiction of the economies of the localities and enterprises and not artificially carve up the total system of the national economy. In this way we can really do things according to objective economic laws. After having each eat out of his own pot in finance, we must prevent the growth of departmentalism and the excessive scattering of funds and materials and pay attention to forging economic links between districts. Once we have done this, it will be rather beneficial to the restructuring of the economic system. We must actively carry out restructuring, but it must be extremely safe. We must cross the river by groping for the rocks. We must strive to make each measure benefit the readjustment of the economy and the development of production and benefit increasing income and economizing on expenditures. We must keep our mistakes to an absolute minimum and avoid setbacks. We are confident that if only higher and lower levels work together with one mind and one heart, we can certainly break a new path which is active yet safe, which changes without chaos, and which contributes to the socialist four modernizations.

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ENERGY

CHINA'S FIRST HIGH-FLUX ENGINEERING TEST REACTOR PILE OPERATING

Beijing GUANGMING RIBAO in Chinese 10 Feb 81 pp 1, 3

[Article by Zhou Wenbin [0719 2429 2430]: "A Visit to China's First High-Flux Engineering Test Reactor Pile"]

[Text] At 9:55 on 16 December, 1980, the first high-flux engineering test reactor pile designed and built by China was put into full power operation as originally planned. According to officials of the Second Ministry of Machine Building at the Southwest Institute of Reactor Pile Engineering Design, this high neutron flux reactor pile can be used in carrying out material and engineering experiments and in producing high ratio radioactive isotopes. It is an indispensable research tool in China's independent development of nuclear energy, electric power production and atomic science and technology.

During the reporter's 3-day tour, we witnessed the main facility and the auxiliary systems of the reactor pile and heard many moving deeds of the engineers and workers. Their hard work and their ingenuity will remain in our minds for a long time to come.

In the Heart of the Reactor Pile

Led by a deputy director of Division No 1 at the Southwest Institute of Reactor Pile Engineering Design, we walked through a doorway in a heavy concrete wall 1.4 meters thick and entered the reactor pile building where the heart of the reactor is located. The first thing in the reactor pile hall that caught our eye was the 4-story high pressure vessel. Looking through the clear water in the pressure vessel we saw rolls of channels which, as the deputy director explained, were for placing nuclear fuel elements and experimental elements to be irradiated. They are usually referred to as the pile core. To draw a familiar analogy, the pressure vessel is the coal furnace and the nuclear fuel elements are the honeycomb coal. However, there is no comparison in the complexity of the structure and stringent technical requirements. These multiple tubular type fuel elements contain high-concentration uranium fuel and are cooled by cooling water flowing by at a speed of 10 m/sec. When the uranium nuclei are bombarded by neutrons, they undergo fission and release additional neutrons. These high speed neutrons become thermal neutrons after they are slowed down by water. The thermal neutrons bombard other uranium nuclei and cause the so-called chain reaction. When the reactor pile is running at full power, the maximum thermal neutron flux in the fuel elements can

be as high as 6.2×10^{14} neutrons/cm².sec and the maximum fast neutron flux (neutrons with energy greater than 1 MeV) is 5.7×10^{14} neutrons/cm².sec. The thermal power can reach a value of 125,000 kW. This reactor pile is among the few in the world known for its thermal power or its neutron flux. Since it has such a high neutron flux, experimentation and irradiation of materials at different flux levels can be satisfied.

In recounting the building of this reactor, the Institute leaders told us that: "This reactor pile is the result of a fruitful collaboration of a great number of units in the nation. Except for some outskirt provinces and regions, there were more than 200 units from 20 provinces, municipalities and prefectures contributing their efforts." As they explained the various components to us, they pointed out that the 65-ton pressure vessel was jointly produced by the Heavy Machinery Plant No 2 of the Second Ministry of Machine Building and the Eastern Boiler Plant; the beryllium components of the reflector were manufactured by 905 Plant of the Ministry of Metallurgical Industry; and, in the fabrication of nuclear fuel, great efforts were made by the Nuclear Fuel Parts Plant and the Atomic Energy Institute of the Second Ministry of Machine Building.

The Eyes, Ears and Nerve System of the Reactor Pile

After we left the pile hall, we visited the main control room. Various types of gauges and meters can be seen in the spacious and brightly lit control room. Operators and engineer on duty control the start-up and shut-down of the reactor from this location remote from the reactor. The operating conditions of various equipments are also monitored and controlled in the main control room. In case a malfunction in certain equipment develops, warning signals will immediately be displayed in the control room so that operators can correct the malfunction right away according to the cause indicated by the warning lights. In an emergency situation, the safety device can also make an on-the-spot decision and shut down the reactor. It is most appropriate to call this system the ears, eyes and nerve system of the reactor.

"It must take some high technical know-how to operate such a complex system?" The reporter raised the subject to the persons who run the control system.

"Naturally," replied our host official, "to be an operator in the main control room, a person has to know the structure and lay-out of the entire reactor and the characteristics of the various equipment. Especially when there is an incident, the control operator must react fast, judge accurately and take immediate action to eliminate the malfunction and restore the normal operation of the whole reactor." And they added: "Perfection comes from practice. The average age of the whole crew in the operation room is only 31 and all five assistant squad leaders working in here are graduates of the 70's."

That brings our thoughts from the operation room to the design crew of 10 years ago. At that time a great majority of the people in charge of the technical design of the reactor were graduates of the mid 60's. The average age of the entire design department was also only 32. The heart, nerve system, eyes and ears of the reactor that we are seeing today are all realities transformed from their blue prints.

Tamed the "Nuclear Tiger"

"Is the reactor safe?" People often ask this question with some apprehension. When reporters pose this question to the technical staff, they led us to see a series of safety installations. The most serious accident in a nuclear reactor is the loss of water at the core. If cooling water is not supplied normally, the core temperature will rise and break the fuel rods. This is how the Three Mile Island accident occurred. In the Chinese high flux reactor pile, in addition to five water pumps driven by five motors each powered with two electrical circuits, there are also two spare generators. In case both of the two circuits are out of commission, the spare generator will automatically take over and maintain a normal water supply.

When we were in the reactor pile building, we saw a water pool more than 9 meters deep beside the pressure vessel. The parts irradiated and tested at the core are highly radioactive. Small carts at the bottom of the pool transfer these parts to the hot fuel parts and radioactive material laboratory where they are manipulated by mechanical hands controlled by people behind thick walls for metallurgical inspection, machine processing and property determination. They pose no health hazard to humans.

The waste water processing plant is the place where all the radioactive waste water is processed. After the waste water is transported here it goes through condensation sedimentation, multisaged distilling, and ion exchange. The radioactive level after treatment is always less than 10^{-9} Curie/sec, which is within the national emission standards.

There is also a facility for treating the radioactive waste gas emitted by the reactor. After the gases pass through a number of filters, they are dispressed to the atmosphere through a 125-meter tall chimney. When the gases reach a populated area after the diffusion and dilution in the atmosphere, the maximum radiation level is only 1/1000 of the national emission standard.

The management staff of the reactor assured us with a smile: precisely because of the hazardous nature of radiation, the precaution measures are extremely effective and complete. It is entirely possible to tame the "nuclear tiger." Facts in China as well as in many other nations have substantiated this conviction.

Believe in Our Own Power

From the ground-breaking in 1971 to the full-capacity operation last year, it took a total of 10 years for China to build its high flux engineering test reactor pile. And this does not count the development and design work before the construction.

As early as 1958, China was contemplating a 50,000 kW high flux reactor. When we proposed our plan to the Soviet Union for consultation, they not only refused to give any technical assistance, but they said sarcastically: "Why don't you just stand on our shoulder and jump!"

But the Chinese people are determined. In 1964, China successfully exploded its first atomic bomb. This victory gave tremendous encouragement to the vast scientific and technological workers. They made up their mind to use their own

hands in developing and designing a Chinese high flux engineering test reactor. The entire research, development, and design were completed in October, 1970, and more than 200 factories and plants assumed the responsibility of manufacturing nonstandard designs. The order came early the next year, the entire design crew left Beijing for the southwest construction site and began the building mission.

The design to building of the reactor pile coincided exactly with the 10-year turmoil of the Cultural Revolution. The engineering and construction staff have persistently stayed at their posts. They were always at the construction site or in the plants to instigate technical coordination and inter-plant production. Even when the gun fire continued in the armed struggle at some contracted plants, and when there was no food at the mess hall, they did not abandon their work. Some people stayed at the construction site and did not take one day off when their father die or their wife had a baby. Chief engineer Xu Chuanxiao [1776 0287 2400] has always been doing conventional electrical power generation work. He was over 40 years old in the early 60's, but he ambitiously embarked on learning the reactor technology. During the construction period, he led the group of young scientists and technicians and spent almost 10 years on the building ground.

Time flies. Young men just out of school not too long ago are now over 40 years old. Witnessing the achievements built with their sweat and blood, they told us with delight and pride: "The Chinese people are powerful. Self-degrading is a fool's philosophy."

When we were leaving the Southwest Institute of Reactor Pile Engineering Design, the Institute president Zhou Shengyang [0719 5110 3152] expressed his enthusiasm to us: "Through the construction of the high flux engineering test reactor and other reactors, we have trained a group of technical personnel who are not only competent in the theory of reactor engineering but also have a good deal of experience. At present, our nation is planning on developing nuclear-electricity industry. We are at this high time and we hope to contribute more efforts to our country and build a few more reactors!"



Making final adjustments to the top cover of the vessel of the high flux engineering test reactor pile.

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INDUSTRY

INDUSTRIAL PRODUCTION RESULTS FOR 1980

Beijing CONGREN RIBAO in Chinese 8 Jan 81 p 1

[Article: "Last Year Our Industrial Production Made Steady Progress Through Readjustments"]

[Text] The broad workers and staff members of the industry and communications front in the whole country have conscientiously followed the guiding principle for the readjustment of the national economy and have carried out various economic policies. In 1980, even with the 2.6-percent decrease in energy production, the total industrial output value still increased by 8.4 percent. That of light industry increased by 17.4 percent, greatly surpassing the 1.6-percent increase of heavy industry. Of 100 varieties of principal industrial products, 83 varieties fulfilled or overfulfilled the production plans; 42 of these varieties of products increased by over 8 percent. The general situation of production in industry and communications was as follows: production of energy and machinery industry decreased; production of light and textile industries increased on a large scale; output of metallurgical, chemical and cement industries, raw and other materials increased; and communications and transportation basically remained at the same level.

Various places earnestly readjusted the proportion of production between light and heavy industries. Following the guiding principle of the "six priorities," and with the support of all lines of trade, production of light and textile industries was in fine shape seldom seen in recent years. In total industrial output value, the proportion of light industry rose from 43.1 percent to 46.7 percent. The output of principal light and textile industries basically overfulfilled production plans, among which those closely related with people's living--including watches, bicycles, sewing machines, synthetic fibers, television sets, tape recorders, and other products--increased respectively from 30 percent to more than twofold. The policy of giving priority to the development of light industry played an important role in bringing about a booming market, improving the people's living, and increasing the financial income of our government.

The departments of heavy industry have made an encouraging step in meeting the needs of society through the reorientation of products by taking from the long to add to the short. The output of four products in short supply--namely, small steel materials, wires, thin plates and welding tubes--increased by 23.1 percent to 41.2 percent respectively, and their proportion in the total output of steel materials rose from 48 percent to 56 percent. The trades of machinery, building materials, and industrial chemicals also increased to a certain extent their stock of products and

raw materials urgently required by the market but in short supply. The maladjustment of the excavation of coal and nonferrous metals was initially improved, and production safety turned for the better.

Last year, with a slight decline in energy production, the broad workers and staff members earnestly carried out mass activities to conserve energy. In the whole year they saved 27.5 million tons of energy in terms of standard coal, after readjusting for the structure of industry and the composition of products. General management was improved, and consumption was reduced. According to incomplete statistics, more than 4,000 factories throughout the country were closed down because their consumption of energy was high, their losses were great, and their products had no market.

The quality of industrial products was improved continuously. According to the quality index statistics for 64 items of principal products of key enterprises under nine departments of industry and communications, including power, coal, petroleum, textiles, and light industries, last year 53 items made steady improvement and 28 items attained or surpassed their past records. Light industries in various places successfully trial-made more than 7,000 kinds of new products and 100,000 new patterns and varieties, of which one-half have been produced in wholesale quantities.

Although industrial production gained fairly good results in 1980, the economic effect was still not quite up to expectations. Last year, both the national total industrial output value and the profits earned increased in comparison with the same period of 1979, but the profits turned over to the higher authorities decreased. The cause for this situation was as follows: The enterprises did poorly in cutting down the cost of production to reverse the index of loss. In readjusting the structure of industry and the composition of products and in activating national economy, they lacked overall balance and planned guidance. In many places, processing industry and commune-run factories expanded blindly, aggravating the shortage of energy resources and of raw and other materials. Furthermore, the stockpile of products increased incessantly, and many enterprises retained profits for their own use. These were also important causes having an economic effect. Having learned the lessons of last year, this year we must grasp vigorously the readjustment of production in industry and communications to push up economic results in a down-to-earth manner. We must intensify ideological and political work, mobilize all workers and staff members to keep up the revolutionary spirit of plain living and hard struggle, and promote the steady progress of our national economy.

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LABOR AND WAGES

ROLE, PRESTIGE OF TRADE UNIONS MUST BE RESTORED

Regaining Confidence in Unions

Beijing GONGREN RIBAO in Chinese 18 Nov 80 p 2

[Article by Shu Hongliang (5289 1347 0081), Chengdu State-Run Emei Machinery Plant: "To Regain Workers' Confidence in Their Unions")]

[Text] Just as in other organizations, if the trade unions have lost the confidence of their members, there is no meaning to their existence.

Since 1957, many union organizations have gradually lost their original prestige and role. What mainly have the union cadres been doing? First, they have been teaching the workers; second, they have asked the workers to take part in labor emulation; and third, they have been doing some redundant work of the party and the government. They have showed very little interest in the immediate interests of the workers. Therefore, the workers themselves have never taken seriously things the unions did, such as "education" and "labor emulation." To gain the confidence of the workers, the union organizations must make great efforts to change themselves.

1. The unions at all levels must, in addition to accomplishing the tasks assigned by the party, conduct various activities mainly according to the unions' own characteristics and on the basis of their members' requirements and wishes, arousing the members to cherish their own organization.
2. The workers should, through careful consultation among themselves, elect persons who are unselfish, honest, and straightforward, are concerned about the workers' sufferings, and are enthusiastic about working for the interests of workers to take charge of union work at all levels. Under no circumstances should these posts be filled by appointment or assignment.
3. The union organizations should justly and forcefully encourage and support the workers, and wage struggles against bureaucratism and unlawful acts of infringing upon the interests of our country and people, abusing one's power, and trying to gain private interests.
4. The union organizations should present their own opinions and demands on issues that affect the workers' standard of living, such as commodity prices, wages, employment, and discharge, and become the defenders of the workers' interests.

5. The union organizations should report to the party and the administrative leadership the opinions and demands of the masses of workers, and should become the spokesmen of the workers' interests.

6. The union federations in various localities should make good use of their official publications, give information on the work, life and ideas of the masses of workers, exchange union experience in serving their members, express the aspirations and reasonable demands of the workers, and work for the rights and interests of the masses of workers.

Role of Protection in Union Regulations

Beijing GONGREN RIBAO in Chinese 18 Nov 80 p 2

[Article by the investigation group of the Huanggang Prefecture Office of the Hubei Provincial Federation of Trade Unions: "The Role of Protection Should Be Clearly Written in Union Regulations"]

[Text] On the role of trade unions, the existing "Chinese Trade Union Regulations" and all related union documents are based on the three points as summed up by the revolutionary teacher Lenin in his essay "On Trade Unions, the Current Situation, and the Mistakes of Trotsky." These are, namely, to play the role of a link, a pillar, and a school of communism. However, they do not mention the role of trade unions in protecting the rights and interests of the workers. At present we must solve the following problem: In the period of socialism, besides the role in the three fields mentioned by Lenin, should unions not play a role in protecting the interests of the masses of staff members and workers? In fact, Lenin in his other writings, affirmed more than once the unions' role of protection. In a socialist society, it still happens that workers' rights and interests are infringed on by bureaucracy. As long as there is this danger, the unions have the duty and responsibility to protect the interests of the workers, and they must play the role of protecting the workers' interests. The difference is that there is a distinction between the ways of protecting workers' interests on the part of trade unions at present and in the period of capitalism. When we affirm the role of unions, it will be complete only by combining the role of protection with the three aspects which Lenin named; otherwise, the unions will lack the strength to unite with the masses of workers and will lack the power to call upon them. Only by playing the role of protector can the unions effectively give play to the role of the party in maintaining contact with the masses as a link, a pillar, and a school of communism. This has also been proved in practice. Unions not representing the interests of workers are bound to be weak, not to mention any contribution they might make to the party's work as a whole. Therefore, we believe that regulations of the union must clearly define their role in protecting the rights and interests of the workers.

Unions' Role in Opposing Bureaucracy

Beijing GONGREN RIBAO in Chinese 18 Nov 80 p 2

[Article by Jin Zhanlin [6855 0594 2651], Jilin Municipal Water-Pump Factory: "Trade Unions Should Be an Effective Tool in Opposing Bureaucracy"]

[Text] The trade union is an assistant to the party and serves as a link between the party and the masses; at the same time, however, the trade union should also

be an effective tool of the masses of workers to protect their own lawful democratic rights and material benefits, and to oppose bureaucracy.

In some places and organizations, bureaucrats shield one another as always was the case with bureaucracy. This promotes unhealthy tendencies, builds up a "network of relationships," and results in an organized way of doing things. When the people try to oppose their misconduct, the only thing they can do individually is to appeal in writing or in person to an "upright official" at a higher level. There is no way to fight such unhealthy tendencies through one's own organization. This situation must be corrected immediately.

Why should the workers join the trade unions, as an organization of the masses, and pay membership fees? Their fundamental objective is, after all, to protect the legal rights and interests of all workers, for which the union cadres should be responsible first. If the union organizations cannot speak for the workers, work for them, and protect their democratic rights and material benefits, the masses of workers will be deprived of their weapon to fight in an organized manner against bureaucracy. To become a tool of the masses in this organized struggle, the unions on their part also need the leadership of the party and require the necessary protection of law and support from the government. I suggest that those who are working for the party should express their opinions--such as, what powers the unions should have, how to guarantee the enforcement of the unions' powers, and what kind of relationship there should be between the unions and the workers' congress, the administrative organizations and the party organizations. All these points should be clearly defined in the law or by the institutions.

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GENERAL

STATISTICS CONCERNING PEOPLE'S LIVELIHOOD

Guiyang GUIZHOU RIBAO in Chinese 9 Oct 80 p 3

[Article: "People's Living as Seen From the Figures"]

[Text]

1979

National income: Part used for consumption	221.1 billion yuan
Part used for accumulation	112 billion yuan
State subsidy used for raising purchasing prices of principal farm and sideline products and above-quota prices of cereals, cotton and oils	7.8 billion yuan
Reduction and exemption of state taxes on agriculture and commune-run enterprises	2 billion yuan
Peasants' income from collective distribution, average per capita	83.40 yuan
Increase as compared with that of previous year	9.40 yuan
State funds used for arranging employment, raising and readjusting wages, issuing bonus, and as subsidy to non-staple food prices for workers and staff members	7.5 billion yuan
Wages paid retroactively by the state to rehabilitated cadres, workers and staff members, and state allowance for exceptional cases of difficulty (incomplete figure)	Over 1 billion yuan
Number of people given jobs	9.03 million
Average annual wage for workers and staffs of whole people's ownership	705 yuan
Increase as compared with that of previous year	61 yuan
Area of completed workers' dormitories (largest since founding of the People's Republic)	2.56 million sq.m.
Increase as compared with that of previous year	66 percent

Urban and rural people's savings deposited in bank, year end	
Increase as compared with that of previous year	9.7 billion yuan
Total retail sales of merchandise on market	175.3 billion yuan
Increase as compared with that of previous year	14.7 percent
Pork consumption of urban population, average per capita	38 jin
Increase as compared with that of previous year	7 jin
National sales of fresh eggs	1.16 billion jin
Increase as compared with that of previous year	420 million jin
Increase of national sales of edible oil over previous year	370 million jin
Rate of population natural growth (previous year, 1.2 percent)	1.17 percent
National daily births of babies	47,000
Decrease of number of babies born in 1979, as compared with that of 1970	10 million
Total number of families having received certificate for giving birth to only one child	6.07 million

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